

Art-secured lending and art funds

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

Works of art have increasingly become collateral for loans. Private banks lend against valuable collections, typically at a loan-to-value ratio well below that for securities, because valuation is uncertain and realisation takes time. Specialised lenders and the finance arms of auction houses offer loans on similar terms. For the collector, such a loan releases liquidity without a sale, which might trigger taxes or signal financial need to the market. For the lender, the central risks are valuation, authenticity, title and the ability to realise the collateral.¹

Swiss law shapes the structure of these loans in a particular way. A pledge of movables requires that the pledgee or a third party holding for the pledgee take possession of the object. A collector cannot keep a pledged painting on his own wall. Lenders therefore usually require that the work be deposited in a warehouse under a tripartite agreement or that ownership be transferred for security. The possession requirement differs from the American system of registered security interests, which allows the borrower to keep the work. It explains why Swiss art lending is closely linked to professional storage.²

Art funds, which pool investors' money to buy works and sell them after a holding period, have a mixed history. The best known early example is the British Rail Pension Fund, which invested in art from the 1970s and sold its holdings over the following decades. Several funds launched in the 2000s were closed without meeting their targets, because transaction costs, storage and insurance consumed much of the return. In Switzerland an art fund offered to the public would be subject to the Collective Investment Schemes Act and to authorisation by FINMA. Private structures for qualified investors are subject to lighter rules.³

1 Notes

1. On the market for art-secured lending, the loan-to-value ratios applied and the participants, see the Deloitte and ArtTactic Art & Finance Report (various editions). Figures to be verified. ↩
2. Art. 884 of the Swiss Civil Code on the requirement of possession for the pledge of movables, and the comparison with security interests under Article 9 of the Uniform Commercial Code in the United States; see the Swiss literature on securities over movables. To be verified. ↩
3. On the British Rail Pension Fund's art investments (from 1974) and the experience of art funds since the 2000s, see the specialist literature on art as an asset class; on the regulation of collective investment schemes, see the Collective Investment Schemes Act (CISA, SR 951.31). To be verified. ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/basel-art-secured-lending-and-art-funds