

Sanctions and the art market

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The relationship between art and sanctions became a public topic in July 2020. In that month the Permanent Subcommittee on Investigations of the United States Senate published a staff report entitled *The Art Industry and U.S. Policies That Undermine Sanctions*. According to its findings, companies linked to two Russian businessmen designated under American sanctions had acquired works of art after 2014 through auction houses and private dealers in the United States, using intermediaries and shell companies. The report made no findings of criminal liability. Its staff concluded that the market's reliance on intermediaries had allowed transactions to proceed without the sellers learning the identity of the ultimate buyers. The report recommended extending the Bank Secrecy Act to high-value art.¹

The war against Ukraine has made the issue more pressing. The sanctions that the European Union adopted from February 2022 include a prohibition on the export of luxury goods to Russia, which covers works of art, collectors' pieces and antiques above a value threshold. Switzerland adopted these measures in its Ordinance on Measures connected with the Situation in Ukraine. Since works of art fall within the broad concept of economic resources, galleries, auction houses and storage companies must also freeze works that belong to designated persons or are controlled by them. Such assets must be reported to the State Secretariat for Economic Affairs (SECO).²

These duties raise practical difficulties that the chapter on customs, export control and sanctions at the border described for goods in general. A work consigned to a Swiss auction house by a company with an unclear ownership structure may belong to a designated person without any indication on the consignment form. SECO has accordingly emphasised the obligation to investigate ownership and control. The reports on the implementation of the Russia sanctions have mentioned works of art among the frozen assets, without disclosing details of individual cases.³

With these developments the art market has entered the field of sanctions compliance, in which the Basel trading houses and banks already possess considerable experience.

1 Notes

1. United States Senate, Permanent Subcommittee on Investigations, Staff Report, The Art Industry and U.S. Policies That Undermine Sanctions (29 July 2020). The report's findings are those of the subcommittee staff. To be verified. ↩
2. Council Regulation (EU) No 833/2014, Art. 3h and Annex XVIII (luxury goods, including works of art and antiques), as amended from March 2022; Swiss Ordinance on Measures connected with the Situation in Ukraine (SR 946.231.176.72), in particular the provisions on luxury goods and on the freezing and reporting of economic resources. Thresholds and status to be verified. ↩
3. On the freezing of works of art and other economic resources under the Swiss Russia sanctions and the reporting by SECO, see the press releases and reports of the Federal Council and SECO since 2022, and Part H, chapter III, and Part G, chapter V, of this book. Status to be verified. ↩

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