

The fair as a financial event

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Art Basel is an art fair, yet it is also a financial event. The collectors who buy at the fair are often clients of private banks, family offices and wealth managers, many of whom view their collections as part of their overall wealth. Private banks use the fair to meet clients, to win new ones and to demonstrate their understanding of collecting. Several banks offer art advisory services, which help clients to buy and sell works, to commission valuations and to manage their collections. Others offer art-secured lending, in which a bank grants a loan against a collection as collateral, typically for up to about half of the appraised value of the works. Part E, Chapter V, discussed the place of art in wealth planning, which this chapter does not repeat.¹

The insurance of works of art is another financial dimension of the fair. Works transported to Basel are usually insured "nail to nail", from the wall of the lender or seller to the booth and back, against loss, damage and theft. Specialised insurers, many of them active in the London market and with branches in Switzerland, underwrite these risks and value the works for insurance purposes. Part I will discuss the Basel insurance industry and the specialised lines of insurance, including fine art. For present purposes, it suffices to note that a single edition of Art Basel brings together works with a total insured value that runs into billions of francs, which makes the fair a significant event for the specialised insurers.²

The adjacency of the fair to the freeports and bonded warehouses of the region adds a further dimension. A work bought at Art Basel need not leave Switzerland. It can be stored in a customs warehouse in Basel, Geneva or Zurich, without import duties or value added tax being levied, until the buyer decides where to take it. Such storage is lawful and is used by collectors, dealers and museums for legitimate reasons, among them the avoidance of repeated import and export procedures and the protection of works in climate-controlled facilities. It has also attracted criticism because

it can conceal ownership and facilitate transactions that escape scrutiny. The next chapter examines the legal framework of the freeports and the measures taken to address these risks.³

1 Notes

1. On art advisory services of private banks and art-secured lending (loan-to-value ratios typically in the range of 40–50 per cent of appraised value), see the Deloitte and ArtTactic Art & Finance Report (various editions) and the publications of the banks concerned. Figures to be verified. ↩
2. On the "nail to nail" insurance of works of art transported to and from art fairs and the role of specialised fine art insurers, see the publications of the insurers concerned and the specialist literature. On the total insured value of works at Art Basel, see press reports. Figures to be verified. ↩
3. On the use of customs warehouses and free ports in Switzerland for the storage of works of art and the criticism of such storage, see the reports of the Swiss Federal Audit Office on the free ports (2014) and the publications of the Federal Office for Customs and Border Security, and Part H, Chapter V. To be verified. ↩

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