



## Amber ALERT

### Art Market Participants, AML Regulations and Financial Crime Vulnerabilities

Date: **May 2021**

Reference: **0631-NECC**

This Amber Alert is issued by the United Kingdom's National Crime Agency (NCA), a member of the National Economic Crime Centre (NECC), working in conjunction with law enforcement and financial sector partners as part of the Joint Money Laundering Intelligence Taskforce (JMLIT). The JMLIT has been established to ensure a more collaborative approach between law enforcement and the banking sector.

This alert is devised with the aim of promoting awareness and bringing about preventative action. We recommend you use this Alert to complement existing knowledge and support on-going improvements to your business processes and procedures.

## Overview

This alert is issued by the JMLIT Bribery & Corruption Expert Working Group.

The briefing provides an overview of the money laundering risks posed by the UK's art market and a summary of the anti-money laundering regulatory changes that have recently impacted the art market. Financial institutions servicing art market participants (AMPs) as clients may find this briefing informative as it introduces the money laundering risks of the art industry as well as typologies and activities to consider when conducting due diligence into AMPs. This briefing can also be informative for AMPs, to understand their new obligations under the UK Money Laundering Regulations.

This paper will cover:

1. Key definitions
2. Key changes to the Money Laundering Regulations
3. Money laundering risks within the UK art market: why, who and how?
4. Red flag indicators
5. Case studies
6. Example customer advice

## What We Would Like You to Do

The National Crime Agency (NCA) is a national law enforcement agency which leads the UK's fight to cut serious and organised crime. The NCA Alerts process is the way in which we provide information to non-law enforcement bodies including the private sector to combat and disrupt serious crime. To help us to improve this service, we would welcome any feedback you have on both the Alert itself and the information provided to you. Please email all feedback to [alerts@nca.gov.uk](mailto:alerts@nca.gov.uk) and include the reference **0631-NECC** in the subject line.

If you identify activity which may be indicative of the activity detailed in this report, and your business falls under the regulated sector, you may wish to make a Suspicious Activity Report (SAR). If you decide to make a report in this way you should adopt the usual mechanism for doing so, and it will help our analysis if you would include **XXJMLXX** within the text and the reference **0631-NECC** for this alert.

## Information report

### Key definitions

This paper will refer to **art** and **art market participants (AMPs)**.

A “work of art” is defined in s21 of the Value Added Tax Act 1994. This definition includes, for example, hand executed paintings, drawings, collages, decorative plaques, engravings, lithographs or prints, as well as sculptures, tapestries and photographs. It does not include technical drawings, maps or plans.

The Money Laundering Regulations (MLRs) further define an **AMP** as a firm or sole practitioner who either trades in, or acts as an intermediary in the sale or purchase of, works of art (one piece of art or several pieces sold together) where the transaction is valued at €10,000 or more. An AMP is also the operator of a freeport when it stores works of art valued at €10,000 or more.

Appendix 1 contains the relevant excerpts for these definitions from the MLRs.

### Key AML changes and considerations

On 10th January 2020, the UK Government implemented the European Union’s [Fifth Anti-Money Laundering Directive](#) (5MLD). This amended [The Money Laundering and Terrorist Finance Regulations 2017](#) with the [2019 Amendments](#). This legislation included AMPs in the supervised sector for the first time, requiring them to adhere to new regulations including:

- Registering with HMRC as the supervising body;
- Appointing a nominated officer;
- Carrying out a risk assessment of the extent to which they are exposed to money laundering;
- Maintaining a prescribed range of policies, controls and procedures
- Training staff appropriately;
- Carrying out customer (i.e. art buyer and seller) due diligence measures on customers before they conclude a transaction;
- Reporting suspicious transactions to the authorities;
- Keeping appropriate records of customer due diligence and of transactions.

AMPs were initially given until 10<sup>th</sup> January 2021 to register with HMRC’s Anti-Money Laundering Supervision team. However, this has now been extended to 10<sup>th</sup> June 2021. AMPs are required to adhere to the new regulations during this grace period and have been encouraged to register before the deadline. Therefore AMPs should currently be conducting customer due diligence, reporting suspicious activity as required by the Proceeds of Crime Act 2002, alongside other MLR requirements.

Prior to 5MLD, art only fell into the supervised sector when it was sold by High Value Dealers (HVDs), who are subject to MLRs when trading in cash over €10,000. In addition, some AMPs have pre-existing measures to prevent money laundering. For example, some already submit suspicious activity reports with auction houses, submitting 38 in 2018-19<sup>1</sup> and 29 in 2019-20.<sup>2</sup> However, it is anticipated that many AMPs will be introducing new processes for the first time in order to meet the regulations.

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<sup>1</sup> <https://www.nationalcrimeagency.gov.uk/who-we-are/publications/390-sars-annual-report-2019/file>

<sup>2</sup> <https://nationalcrimeagency.gov.uk/who-we-are/publications/480-sars-annual-report-2020/file>

In addition to the immediate requirements under the new MLRs, AMPs may need to make further changes to how they buy and sell art in order to meet their obligations. Some AMPs will need to alter their current sales procedures to ensure they are able to conduct customer due diligence checks prior to receiving payment. The Covid-19 pandemic and the subsequent changes to customer-business interaction has again changed the risks facing some AMPs as online and remote sales have increased. This requires further consideration of how and when customer due diligence checks will occur.

## **The UK art market and money laundering**

In 2019, the UK's art and antiques markets were the second largest globally, valued at USD 12.7 billion.<sup>3</sup> The UK's reputation as a prestigious market attracts buyers and sellers from both the UK and around the world. Prior to the introduction of 5MLD, this presented money launderers with a large, relatively unsupervised market in which they could potentially launder illicit finance.<sup>4</sup>

Whilst most transactions in the UK's art market are legitimate, art and the art market have advantageous characteristics that can be exploited by criminals to launder money.

### **a) Anonymity**

The art market has traditionally operated in a way that provides anonymity to both buyers and sellers, often for legitimate reasons such as preventing bias in the bidding process. This can be achieved through the use of third-party facilitators or companies to purchase items on another's behalf, or through the use of private sales, which afford confidentiality to both buyer and seller. Unfortunately, criminals abuse such legitimate mechanisms for anonymity in order to shield their involvement and their source of funds during art transactions. They are likely to wish to hide behind a cloak of anonymity in order to, for example:

- purchase art with illicit funds;
- purchase art on behalf of persons subject to financial sanctions, Politically Exposed Persons (PEPs) or persons sought by law enforcement;
- hide beneficial ownership in art to evade tax (such as VAT, inheritance tax, capital gains tax);
- use art as a store of value for easy transport and trade when moving currency through the banking system would raise suspicion.

These are attractive legal entity structures open to exploitation by criminals and money launderers to disguise their activities. For example, shell companies can be used when purchasing or selling art to disguise the origin of the funds and the Ultimate Beneficial Owner (UBO) in instances where illicit finance has been used. This provides challenges for law enforcement and other agencies to detect and trace their activities.

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<sup>3</sup> [https://d2u3kfw92fzu7.cloudfront.net/The\\_Art\\_Market\\_2020-1.pdf](https://d2u3kfw92fzu7.cloudfront.net/The_Art_Market_2020-1.pdf)

<sup>4</sup> The term 'money launderer' has been used to refer to all criminals laundering money and does not exclusively refer to professional money launderers or their networks.

### **b) The value of items**

The value of art in the UK market is attractive to money launderers due to the wide-ranging values of individual artwork, the accessibility of high value items and the stability of prices, particularly in the more traditional market.

Art can range from a few hundred to millions of pounds. The high value aspect of art provides an opportunity for criminals to launder large sums of illicit finance in a single transaction. Where the value of art is more stable, particularly when it has an auditable provenance history, it is a less risky investment for those wishing to convert illicit cash into assets. Such pieces of art with more stable values are useful to criminals seeking to use art for payment in place of cash, and the physical nature of art also makes it easy to transport across borders as such pieces can be disguised as copies or souvenirs.

Some artwork remains subjective, particularly more modern pieces, and the value can be manipulated more easily. The changes in market interest, provenance and time-sensitivity of some sales can all lead to price fluctuations. The unique nature of art can also lead to prices being very subjective to the individual seller and buyer. This feature of the art market can be exploited by launderers through over or undervaluing items to disguise and realise their funds. For example, rather than sending cash through the banking system, two counterparts can agree on the sale/purchase price of a piece of art and exchange funds with the sale as a pretext. As prices of art are so subjective it would be difficult for a lay person or bank employee to ascertain if the transaction was for fair value.

Works by impressionist and post-war artists are likely to be popular vehicles for disguising criminal property. This is because there are lots of these types of pieces, they are increasing in value, they don't attract particular attention, they are relatively safe, they are desirable all over the world and they are common to appear at art sales.

### **c) Comparatively unsupervised**

Unlike most other sectors in the UK, AMPs have not previously been part of MLRs. The lack of supervision has made art more attractive than other money laundering methods as reporting and detection is less likely. For example, unlike shares and property, there is currently no register of art ownership, making disguised ownership of art easier.

Whilst AMPs are now supervised under the MLRs, full supervision of the sector and adherence to the regulations will take time to embed. There is also a risk that money laundering activities involving art purchased in the UK will be displaced to other jurisdictions with less regulation. For example:

- The US has the world's largest art market but does not currently regulate it;
- Switzerland is home to the world's large art freeports which are also not subject to the heightened AML regulations applicable today in the UK and EU;
- Singapore and Hong Kong are additional hot spots for art trading though these markets are also not subject to an equivalent AML regulatory regime.

In addition, AMPs are not identified by FATF as Designated Non-Financial Businesses and Professions<sup>5</sup> (DNFBPs), leading to a global inconsistency in how they are treated under national money laundering regulations. The transnational nature of the art world allows for participants to move activities to different jurisdictions without necessarily raising red flags. Technology and the rise of on-line galleries and auction houses further simplifies cross-border art transactions in jurisdictions with more lax regulatory oversight, even when the piece is physically located in a regulated market. For example, when a piece in a private collection in the UK is sold via on-line auction in Hong Kong.

#### **d) Easily transported**

Art is also attractive for money launderers due to the ease with which items can be transported within the UK and across borders. This is due to:

- i. Their size. In general, these assets are small and can be moved easily and discreetly. However, the care needed for more fragile items may be a deterrent for those wishing to move items internationally.
- ii. The transnational nature of the market means it is widely accepted that assets regularly (and legitimately) move to other jurisdictions without cause for concern.
- iii. Ability to easily hide their value, by portraying the pieces as cheap copies or souvenirs which customs and border officials may not automatically recognise as valuable. Art materials such as paper and clay do not raise concerns in luggage and cargo security scanning systems.

#### **e) Freeports<sup>6</sup>**

Some freeports act as high-security storage facilities and offer a high degree of secrecy by:

- i. Allowing goods to enter without disclosing the UBO;
- ii. Relying on self-declaration, which can be used to mis-declare or mis-value goods;
- iii. Allowing high value items to be stored and sold outside of the remit of financial regulators or tax authorities.

As detailed in a [2018 European Parliament paper](#) on the money laundering risks posed by these freeports, money launderers can exploit these facilities to securely store wealth in the form of art. Art can be traded within the confines of freeports without notifying regulators or authorities, thereby increasing the risk of illicit activity and reducing the risk of confiscation or detection by law enforcement. The Geneva and Zurich freeports were once estimated to hold over USD 10 billion worth of items each, including artwork.<sup>7</sup>

<sup>5</sup> <https://www.fatf-gafi.org/glossary/d-i/>

<sup>6</sup> A “freeport” or “freezone” is a geographical area designated by the government as being outside a country for customs purposes, where goods can be stored / move through. They are designed to encourage economic activity.

<sup>7</sup> <https://www.economist.com/finance-and-economics/2012/09/01/paint-threshold>

### **f) The prevalence of third-party facilitators<sup>8</sup>**

It is generally accepted that knowledge of art and connections in the art market are required to operate effectively. There are many third-party facilitators in the art world who have such knowledge and connections. They can access the market on a client's behalf, undertaking all the necessary arrangements and logistics, whilst maintaining client confidentiality and anonymity.

Under the new MLRs, all third-party facilitators will need to consider if they fall under the definition of an AMP. Those that are will be obliged to conduct customer due diligence and report suspicious transactions. However, as they often provide a service that keeps the identity of the purchaser and seller anonymous, they will face challenges in balancing such AML requirements with the need and demand for discretion and confidentiality.

Third-party facilitators can provide criminals with easy access to the art market. They can act on a criminals' behalf to purchase and sell items, either unwittingly or as a complicit partner.

## **Money laundering risks**

Criminals laundering money through art and the art market exploit both the purchaser and seller roles.

### **Purchasers**

A purchaser is anyone who buys art, either directly from the seller or via a third-party facilitator. The role of the purchaser poses a money laundering risk because illicit finance can be used to purchase items and thus be quickly integrated into the legitimate market.

Criminal methodologies typically commence with these steps:

1. Illicit funds generated through a range of predicate offences.
2. Illicit funds used to purchase artwork from AMPs in the UK market.
3. AMPs accepting the illicit funds, knowingly or unknowingly, and processing them through the regulated financial sector as an apparently legitimate transaction. This places a distance between the originator of the funds and the financial sector.

Depending on their circumstances and requirements, the criminal might then seek to:

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<sup>8</sup> Third-party facilitators can be both formal and informal participants. For example, they may be someone operating as an 'art adviser' or 'art dealer' whereby they receive commission or retainers to advise and act on the owners behalf to buy and sell art. Alternatively, they can be more informal, for example, a friend who agrees to act on another's behalf to make sales more discreet. Thus, third-party facilitators within the art market can cover a wide range of definitions.

- A. Realise the profit from their illicit activity, by selling the item for a profit or loss to obtain 'cleaned' money or even using it as collateral for borrowing to release the value;
- B. Use the art as a method of storing an investment or simply enjoy it as a collector's item;
- C. Use the art to replace cash, particularly when moving wealth across borders.

**Appendix 2** provides further details on, and visualisation of, these methods.

## Sellers

Sellers of art are businesses, artists or private entities. This includes intermediaries such as auction houses. Some sellers pose a money laundering risk by being complicit in, or turning a blind eye to, illicit finance entering their business and therefore the regulated financial sector. There is an additional risk of sellers rigging sales to ensure bidding takes place at artificially altered prices or between prearranged parties. This risk is likely to increase where "guaranteed buyers"<sup>9</sup> are used – a legitimate practice but one that could be abused.

Examples of how money launderers exploit the "selling" aspect of artwork include:

- The use of genuine art businesses to move illicit finance through business accounts, disguising them amongst legitimate transactions.
- Criminals setting up fake art companies to act as a front to move illicit finance, or to trade in illicit goods unrelated to the art market such as banned substances.
- Businesses, real or fake, that trade in stolen or fake assets in these markets to both generate and move illicit finance as part of a money laundering mechanism.

These activities form the 'placement' and 'layering' stages of the money laundering process, where illicit finance is concealed through a business.

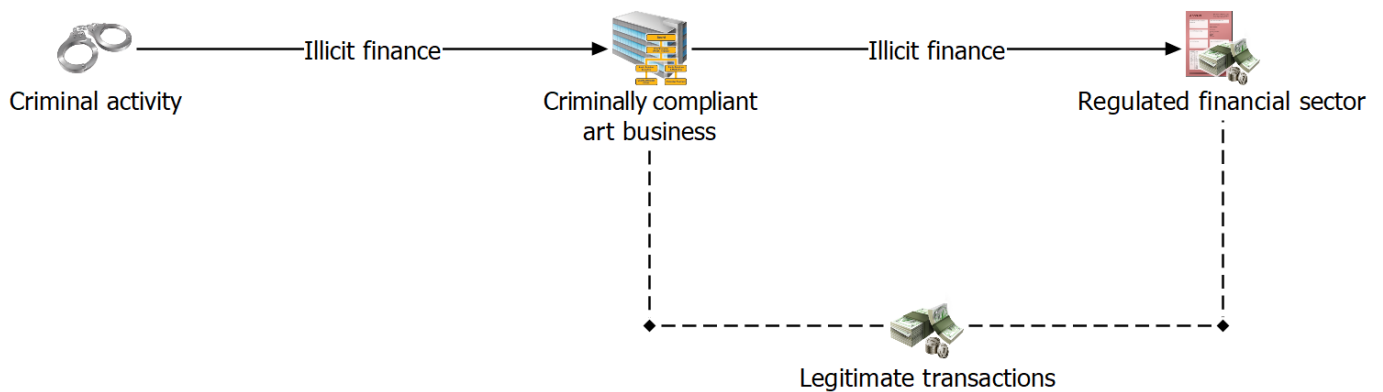
The reporting obligations, as outlined by the updated MLRs, focus on the requirement of sellers to report suspicious activity of purchasers. As the MLRs do not necessarily encourage reporting in the opposite direction – purchasers reporting sellers – there is a further risk that the supplier positions will be exploited by money launderers who are likely to perceive this as a reduced risk of detection.

The following chart shows the movement of money when criminals act in a selling capacity to exploit the art market to launder money.

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<sup>9</sup> <https://www.theartnewspaper.com/news/guarantees-the-next-big-art-market-scandal>





## Red flags for money laundering in the art market

The following potential indicators of money laundering in the art market are common indicators for most money laundering mechanisms. Indicators should not necessarily be considered incriminating in isolation, but cumulatively can be considered as grounds for further enquiry.

- The following activity can be associated with **bank accounts linked to businesses in the art sector** involved in money laundering:
  - Quick movements of funds out of the account.
  - Debit covering the purchase, followed quickly by a credit for the proceeds of the subsequent sale by the purchaser, particularly where there is a significant discrepancy in price and transaction amounts.
  - High volumes of third-party transactions, particularly to move funds offshore.
  - High volumes of cash deposits.
  - Transaction references such as 'artwork', 'sale of painting' and 'xxx name of auction house or gallery' could be used to provide a seemingly legitimate reason for funds being sent to or received from other accounts.
  - Regular / excessive / unexpected / prolonged payments to freeports.
- Many money launderers are also **unlikely to be tax-compliant** and may therefore make no or very low payments to HMRC. A lack of compliance with HMRC's taxation can be an indication that wider illicit activity is occurring.
- Sellers involved in laundering money may use both **business and personal accounts** to deposit and receive business transactions. This is done to disguise illicit funds and activity, whilst also making it harder for financial institutions and law enforcement to detect illicit activity.
- **Transactions completed via intermediaries** acting as a middle layer between the buyer and seller, so that the end ultimate buyers/ sellers remain unknown to each other. Such intermediaries can take the form of corporate

secretaries, private buyers, nominees, official representatives or concierge companies.

- **Front companies** may have poor or **unprofessional websites** and **suspicious business models**. This can include finances differing from those expected or seen, or websites with very little information or professional graphics included. They may also include information which could give the impression that they are linked to a legitimate business, such as the use of an expert's name.
- Businesses may have unusual activity such as **unusual turnover or exclusive relationships** (where they appear to be trading with one or two other businesses that also do not trade with any other businesses).
- **Shell companies** may be used to purchase and sell art to distance and disguise the ultimate beneficial owner.
- In respect of **antiquity dealers**, regular travel to source countries combined with shipping costs to the UK may be indicative of possible smuggling. The [International Council of Museum red list](#) is a useful source.

## Case Studies

There are many open source reports that detail where art has allegedly been exploited to facilitate criminal activity and / or to launder proceeds of crime. These examples give a flavour of the range of methods, predicate offences, and countries involved. It is important to note that not all of the individuals accused have been convicted of criminal wrongdoing.

- The **1MDB scandal** saw art included in US civil forfeiture proceedings against **Jho Low**, such as Van Gogh and Monet pieces. The US Department of Justice alleges that Low used stolen funds to purchase a Claude Monet painting, amongst others. Art was also allegedly used as collateral for further loans. Many of the paintings acquired by Jho Low were stored at the Geneva Freeport.<sup>10</sup>
- "The **Bouvier Affair**" involved **Swiss businessman Yves Bouvier**, who allegedly defrauded his clients by misrepresenting the original cost of art works and consequently overcharging them. Known as the 'King of the Freeport', he was arrested in 2015 on suspicion of money laundering in Monaco via his company Naturel Le Coultre, which specialised in transporting

<sup>10</sup> <https://www.riskscreen.com/kyc360/news/art-in-the-frame-for-money-laundering/>;  
[https://www.transparency.org.uk/sites/default/files/pdf/publications/TIUK\\_AtYourService\\_WEB.pdf](https://www.transparency.org.uk/sites/default/files/pdf/publications/TIUK_AtYourService_WEB.pdf),  
<https://www.justice.gov/opa/press-release/file/973671/download>

and storing art and other luxury goods.<sup>11</sup> In December 2019, Monaco's Court of Appeal dismissed charges of money laundering and fraud against Bouvier, however he remains subject to legal proceedings in Switzerland.<sup>12</sup>

- In 2017 **Matthew Green** allegedly sought to launder funds for an investment company, through a Picasso painting, by drawing up phony ownership papers saying the work had been sold, all the while keeping it stored away. He then allegedly pretended to buy it back from his co-conspirators at a lower price. He has since been indicted in the US on six counts of attempted money laundering and his London gallery has been declared insolvent.<sup>13</sup> Green has yet to plead his case.
- According to a US Senate report in 2020, **companies tied to two Russians under sanctions** were able to buy art using shell companies and an intermediary. It concluded that two prominent auction houses and private sellers never knew the true identity of the oligarchs buying the art.<sup>14</sup>
- In 2014 **US biodiesel businessman Phillip Rivkin** was charged with 68 counts of fraud and money laundering for laundering USD 78m through the purchase of over 2000 pieces of art.<sup>15</sup> In 2016, Rivkin pleaded guilty and was sentenced to 10 years imprisonment and has to pay USD 138 Million in restitution and forfeiture.<sup>16</sup>
- In 2006 **Brazilian banker Edemar Cid Ferreira** was arrested and charged on suspicion of embezzling USD 30m from Banco Santos by laundering funds through the purchase of 12,000 pieces of art. He attempted to smuggle one piece of art worth USD 8m to London via commercial flight in his carry-on bag. Ferreira was sentenced to 21 years imprisonment in December 2006.<sup>17</sup>
- In the 1990s **painter John Myatt and art dealer John Drewe** worked together to sell about 200 fraudulent paintings making millions and fooling prestigious galleries, collectors and auction houses.<sup>18</sup>

<sup>11</sup> <https://www.riskscreen.com/kyc360/news/art-in-the-frame-for-money-laundering/>,  
<https://www.theguardian.com/world/2015/feb/26/leading-swiss-art-broker-arrested-over-alleged-price-fixing-scam>

<sup>12</sup> <https://www.bloomberg.com/news/articles/2019-12-12/art-dealer-wins-dismissal-of-charges-in-fight-with-russian-mogul>

<sup>13</sup> <https://www.imf.org/external/pubs/ft/fandd/2019/09/the-art-of-money-laundering-and-washing-illicit-cash-mashberg.htm>;  
<https://news.artnet.com/art-world/matthew-green-charged-money-laundering-us-1236929>

<sup>14</sup> <https://www.nytimes.com/2020/07/29/arts/design/senate-report-art-market-russia-oligarchs-sanctions.html>

<sup>15</sup> <https://www.justice.gov/opa/pr/houston-man-charged-biofuels-fraud-scheme>

<sup>16</sup> <https://www.bloomberg.com/news/articles/2016-03-07/biodiesel-producer-gets-10-year-prison-sentence-for-fraud-scheme>

<sup>17</sup> <https://www.latinvex.com/mobile/article.aspx?id=1013>

<sup>18</sup> <https://www.riskscreen.com/kyc360/news/art-in-the-frame-for-money-laundering/>

- The **Panama papers** exposed several offshore companies that owned significant art collections.<sup>19</sup>

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<sup>19</sup> <https://www.riskscreen.com/kyc360/news/art-in-the-frame-for-money-laundering/>

## Appendix 1: Definitions

The following definitions are taken from Section 21 of the [Value Added Tax Act 1994](#), as referenced in the [Money Laundering and Terrorist Financing \(Amendment\) Regulations 2019](#):

"A '**work of art**' is defined in accordance with the VAT Act 1994 definition in section 21 (6) to 6 (B), which is as follows:

- (a) any mounted or unmounted painting, drawing, collage, decorative plaque or similar picture that was executed by hand;
- (b) any original engraving, lithograph or other print which—
  - (i) was produced from one or more plates executed by hand by an individual who executed them without using any mechanical or photomechanical process; and
  - (ii) either is the only one produced from the plate or plates or is comprised in a limited edition;
- (c) any original sculpture or statuary, in any material;
- (d) any sculpture cast which—
  - (i) was produced by or under the supervision of the individual who made the mould or became entitled to it by succession on the death of that individual; and
  - (ii) either is the only cast produced from the mould or is comprised in a limited edition;
- (e) any tapestry or other hanging which—
  - (i) was made by hand from an original design; and
  - (ii) either is the only one made from the design or is comprised in a limited edition;
- (f) any ceramic executed by an individual and signed by him;
- (g) any enamel on copper which—
  - (i) was executed by hand;
  - (ii) is signed either by the person who executed it or by someone on behalf of the studio where it was executed;
  - (iii) either is the only one made from the design in question or is comprised in a limited edition; and

*(iv) is not comprised in an article of jewellery or an article of a kind produced by goldsmiths or silversmiths;*

*(h) any mounted or unmounted photograph which—*

*(i) was printed by or under the supervision of the photographer;*

*(ii) is signed by him; and*

*(iii) either is the only print made from the exposure in question or is comprised in a limited edition;*

*(6A) The following do not fall within subsection (5) above by virtue of subsection (6)(a) above, that is to say—*

*(a) any technical drawing, map or plan;*

*(b) any picture comprised in a manufactured article that has been hand-decorated; or*

*(c) anything in the nature of scenery, including a backcloth*

*(6B) This section outlines the parameters for items described as 'limited edition' and can be found here:*

*<https://www.legislation.gov.uk/ukpga/1994/23/section/21>.*"

The MLRs further define an "art market participant" as:

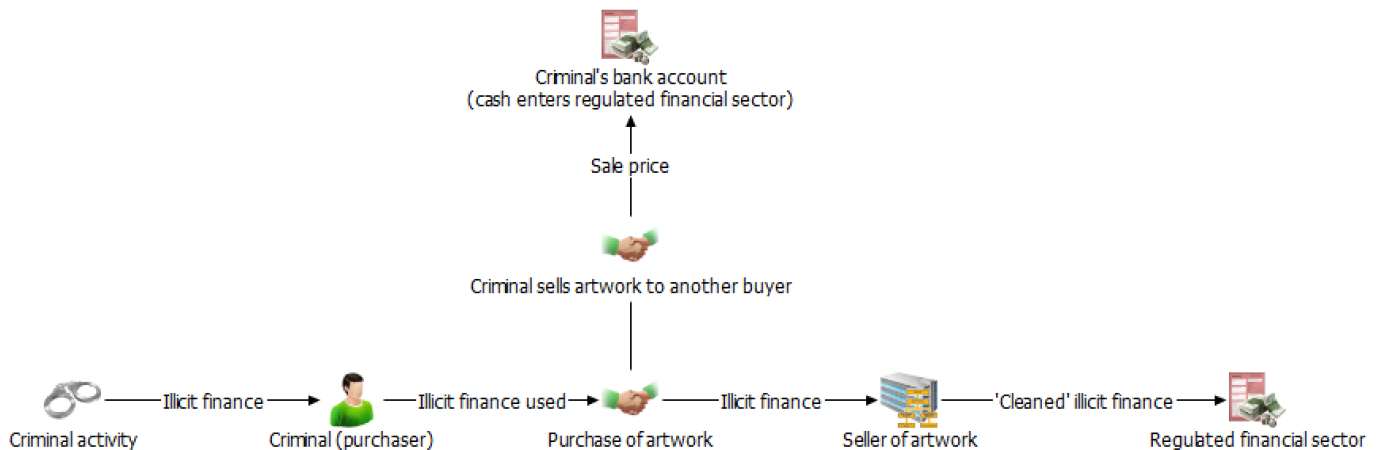
"A firm or sole practitioner who:

- i. by way of business trades in, or acts as an intermediary in the sale or purchase of, works of art and the value of the transaction, or a series of linked transactions, amounts to 10,000 euros or more; or*
- ii. is the operator of a freeport when it, or any other firm or sole practitioner, by way of business stores works of art in the freeport and the value of the works of art so stored for a person, or a series of linked persons, amounts to 10,000 euros or more."*

## Appendix 2: Purchaser methods

Having gone through the initial “purchaser” steps of generating illicit funds and then using them to purchase artwork, figures 1-3 illustrate the subsequent steps and movement of money for each of the methods A, B and C.

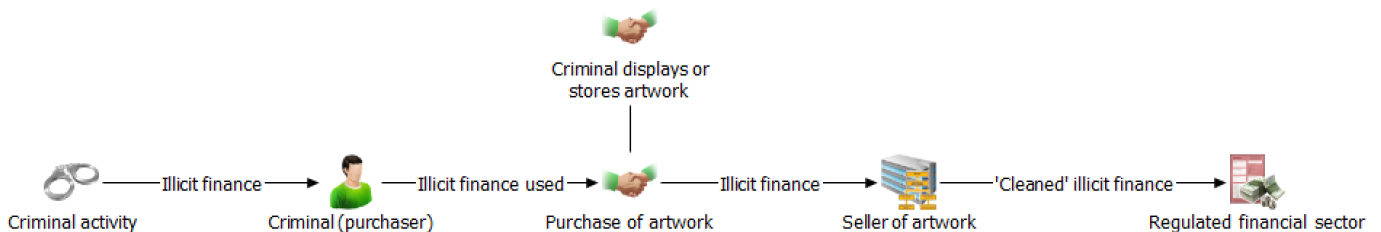
**Figure 1: Purchaser method A – Sell item**



After acquiring the artwork, this method involves:

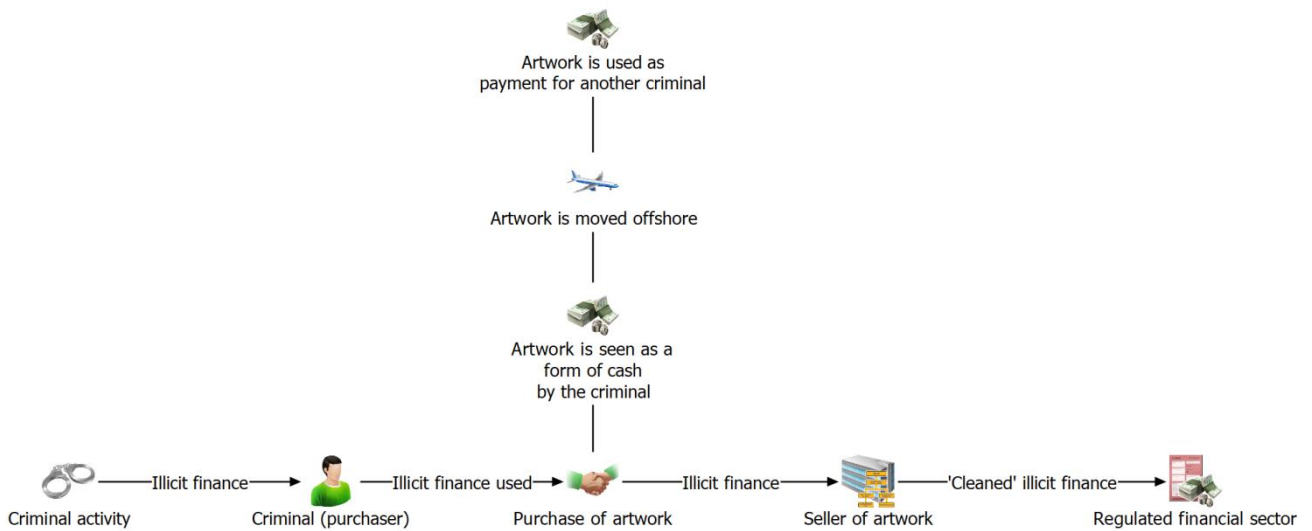
- Selling the artwork to other buyers, who may or may not know that illicit finance was used in the original purchase.
- Transfer of funds for the sale from the new purchaser to the criminal’s bank account (possibly via a third party account).
- The criminal now in possession of ‘clean’ funds, as the true origin of this wealth has been obscured through two transactions.

**Figure 2: Purchaser method B – Storage or display of item**



After acquiring the artwork, this method involves:

- Enjoyment of their purchased artwork as a collector’s piece or investment item. As such, criminals will display or store their items.
- Potential for later sale of item and realisation of funds.

**Figure 3: Purchaser method C – Movement of item**

After acquiring the artwork, this method involves:

- Treating the purchased artwork as an alternative form of cash that is easily moveable.
- Transporting, storing and trading the item in lieu of cash, possibly moving it offshore to be traded with other criminals.



## Data Protection Act

The NCA reminds you of your legal obligations in respect of the management of this information, including under the Data Protection Act 2018

Article 5(1) requires that personal data shall be:

1. Processed lawfully, fairly and in a transparent manner;
2. Collected for a specified, explicit and legitimate purpose and not further processed in a manner that's incompatible with these purposes;
3. Adequate, relevant and limited to what's necessary in relation to the purpose for which they are processed;
4. Accurate and where necessary kept up to date;
5. Kept in a form which permits identification of data subjects for no longer than is necessary for the purpose for which the personal data are processed;
6. Processed in a manner that ensures appropriate security of the personal data.

## Suspicious Activity Reporting (SARs)

If you know or suspect that there has been money laundering or terrorist financing activity (including as a result of information provided to you by the NCA) and your business falls within the regulated sector, then you are reminded of the obligations to make reports to the NCA under Part 7 Proceeds of Crime Act 2002 and the Terrorism Act 2000. If you decide to make a report in this way you should adopt the usual mechanism for doing so, and it will help our analysis if you would include the reference **0631-NECC** within the text. This reference is specific to the Alerts process; where appropriate, we would ask that this is used *in addition* to the ongoing use of the Glossary of Terms. Guidance on making suspicious activity reports is available at [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk).

## Disclaimer

While every effort is made to ensure the accuracy of any information or other material contained in or associated with this document, it is provided on the basis that the NCA and its staff, either individually or collectively, accept no responsibility for any loss, damage, cost or expense of whatever kind arising directly or indirectly from or in connection with the use by any person, whomsoever, of any such information or material.

Any use by you or by any third party of information or other material contained in or associated with this document signifies agreement by you or them to these conditions.

### Alert Markings

NCA Alerts are marked either Red or Amber. This is designed to indicate the urgency of the warning. Red may indicate a more immediate or specific threat, whilst those marked Amber will provide more general information that may complement existing knowledge.

### NCA Alerts Team

Recognising that the private sector is often the victim of serious organised crime and is engaged in its own efforts to prevent, deter and frustrate criminal activity, the NCA seeks to forge new relationships with business and commerce that will be to our mutual benefit – and to the criminals’ cost. By issuing Alerts that warn of criminal dangers and threats, NCA seeks to arm the private sector with information and advice it can use to protect itself and the public. For further information about this NCA Alert, please contact the NCA Alerts team by email [alerts@nca.gov.uk](mailto:alerts@nca.gov.uk) or by telephoning 020 7238 8624. For more information about the National Crime Agency go to [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk).

### Protecting the Public – Providing information back to the NCA

Section 7(1) of the Crime and Courts Act 2013 allows you to disclose information to the NCA, provided the disclosure is made for the purposes of discharging the NCA’s functions of combating serious, organised and other kinds of crime. The disclosure of such information to the NCA will not breach any obligation of confidence you may owe to a third party or any other restrictions (however imposed) on the disclosure of this information. The disclosure of personal information about a living individual by you to the NCA must still comply with the provisions of the Data Protection Act 2018 (DPA). However, you may be satisfied that the disclosure by you of such personal information to the NCA in order to assist the NCA in carrying out its functions may be permitted by Schedule 2, Part 1 of the DPA 2018. This allows a data controller to be exempt (by means of a restriction or adaption) from provisions of the GDPR, if the personal data is processed for the following purposes:

- a) the prevention or detection of crime,*
- b) the apprehension or prosecution of offenders, or*
- c) the assessment or collection of a tax or duty or an imposition of a similar nature,*

*to the extent that the application of those provisions of the GDPR would be likely to prejudice any of the matters mentioned in paragraphs (a) to (c).*  
(DPA 2018, Schedule 2, Part 1).

Any Section 7(1) information should be submitted to [alerts@nca.gov.uk](mailto:alerts@nca.gov.uk).

The NCA’s Information Charter is published on our external website at [www.nca.gov.uk](http://www.nca.gov.uk)