

# art business conference

## Art world urged to protect

**THE art business was encouraged to embrace self-regulation and social media technologies at the sector's annual gathering in Westminster this month.**

**Tom Flynn and Noelle McElhatton report.**

The domed Assembly Hall at the Church House Conference Centre in Westminster provided an airy and beautiful setting for this year's *Art Business Conference* – and a relief to some of the hard-hitting themes being discussed throughout the day.

Topics ranged from the 'financialisation' of the art market, the growing problem of money-laundering and to kick off, the value of industry self-regulation.

### FIVE things we learned at the 2015 *Art Business Conference*

#### 1

##### FAILURE TO SELF-REGULATE IS NOT AN OPTION

**Dr David Bellingham** of Sotheby's Institute of Art provided a helpful starting point for the conference by focusing on the importance of ethics in the art market.

He invited the UK art trade to consider a suggestion made in the wake of the 2008 global economic crisis that "America's highest economic need is the need for an economics of ethics".

Most art businesses, he said, "are governed by codes of ethics, which are aspirational, and unlike the codes of conduct and practice adopted by most other businesses, they rarely carry a penalty for non-compliance".

That connection between ethics, regulation and business was the theme of a panel entitled 'How can the art trade best protect its clients?'

**Julian Radcliffe**, chairman of the Art Loss Register, argued for greater self-regulation. "When you speak to government ministers, their view of the art market is not entirely rosy," he revealed, believing an industry "acceptance of well known standards" could stave off any legislation.

**Robert Hiscox** is the former chairman of Hiscox Insurance, who began his career as an underwriter of fine art and personal accident insurance in 1965. In a welcome note of levity, Hiscox admitted that as a keen art collector, he never believed he was protected in the art world, feeling

instead that it was "like the Wild West".

Hiscox agreed with Margaret Thatcher's maxim that unregulated markets don't work. He said this was "because people are too venal by nature" and, in a memorable double negative, he pronounced that "no regulation is not an option" for the art industry.

Art is an investment market, Hiscox said emphatically, adding that it is the last such market remaining unregulated.

**Pierre Valentin**, a partner in London law firm Constantine Cannon, took an alternative view, emphasising "the myth of the unregulated art market".

He provided an inventory of consumer regulations and legal statutes governing the trade, but suggested greater controls were required to combat "undisclosed conflicts of interest, lack of transparency and insider dealing".

The director general of the Society of London Art Dealers (SLAD), **Christopher Battiscombe**, reminded delegates that while the UK art market "is the most successful [in the world] by a very long way ... we should not get carried away by a market distorted by high-value items".

He went on to question the wisdom of buying from a dealer who doesn't belong to a trade association, a sentiment echoed by **Helen Carless**, chairman of SoFAA, who reminded delegates that being part of an association "enhances your reputation".

#### 2 WE'RE GETTING BETTER AT ARBITRATION

The industry's image in the wider economy was the theme of the 'Professional Risk and Reputation' session, with **Christopher Marinello**, chief executive and



founder of Art Recovery Group, urging buyers to conduct more thorough due diligence when acquiring art in order to minimise risk.

**Adrian Parkhouse**, partner at law firm Farrer & Co, advised that "private dispute resolution provides a route to resolving arguments, mitigating risk, reducing costs and controlling publicity", adding that the art industry is "getting better at arbitration".

He counselled on dealer and auctioneer responsibility to be clear when writing about objects and attributing them, so as to "reduce the risk of exposure and likelihood of liability".

**Freya Simms**, a founder director of Golden2 Consultancy, spoke of the

importance of "the stories people tell around you and about you", suggesting that "your colleagues and contacts in the business can help to nurture your reputation and even rescue you from time to time".

#### 3 THE 'MIDDLE MARKET' IS BEING REDEFINED

A panel discussion devoted to art finance loans provided an intriguing revision of how we define the 'middle market'.



**Above:** Robert Hiscox: "unregulated markets don't work".



# trade by self-regulation



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1. Clara Andrade, Rami Kim and Nazgil Abishewa at the conference.

2. Bec Storey of Sutton PR addresses the audience.

3. Adrian Parkhouse of Farrer & Co speaks on arbitration.

Other pictures are general views taken at the 2015 *Art Business Conference*.

Photos by Phil Adams and Bogdan Maran



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**Suzanne Gyorgy**, global head of art advisory and art finance at Citibank, pointed out, to widespread surprise from delegates, that \$50m is now regarded as 'mid-market'.

This is small wonder, when we consider that entrepreneurs, hedge fund managers and real estate developers are increasingly driving the art loan market.

These are people who "love leverage and want to take liquidity out [of art] to put cash into their businesses".

Some would even "leverage their kids if they could," Gyorgy added, to much laughter in the room.

"Unregulated markets don't work because people are too venal by nature"

## 4 IGNORE INSTAGRAM AT YOUR PERIL

The panel devoted to Instagram left delegates in no doubt that it is an essential marketing tool, with the fastest growing user demographic being 40 to 60-year-olds.

But is the image-sharing site actually where deals can be sealed? **Joe Kennedy**, co-founder of London contemporary dealership UNILondon, thought not, arguing that "people are not on Instagram to spend money; they are there to learn and enrich themselves culturally".

Yet the site has been "fundamental" to his gallery's growth, he said, agreeing that Instagram is "the most visual" of social media and a natural place to promote art and antiques.

How much time should delegates give to promotion via Instagram? "Don't post every minute, or people will think

you're a robot," advised **Bec Storey**, senior account manager, Sutton PR.

**Alan Firmin**, digital marketing director at Bridgeman Images, urged delegates to devote at least five minutes a day to managing their Instagram accounts, and to use hashtags relevant to their businesses, "but not too many".

## 5 MONEY-LAUNDERING IS A BIGGER PROBLEM THAN TEN YEARS AGO

In an eye-opening presentation on money-laundering, Deloitte's forensic and restructuring partner **Michael JJ Martin** offered what he called "a truth bomb".

In response to a frequently asked question, he revealed that money-laundering is indeed a bigger problem now than it was a decade ago, "but mainly because it has come to the attention of the authorities". Art is the "new frontier in the fight against money-laundering", he said.

Responding to comments made earlier in the day and echoing those made by American economist **Prof Nouriel Roubini** at the Davos economic summit in January, Martin suggested there must be "real regulation in the art market, if only to protect the honest traders".

## CHINA CRISIS 'WILL IMPACT ART MARKET'

Recent turmoil in the Chinese economy is poised to test the art world as the autumn auction season begins.

This was the view of art financiers at the conference, including **Paul Ress**, managing director of Right Capital, a company that specialising in loans and credit secured against fine art.

Speaking to *ATG*, Ress (**above**) said there is potential for downward pressure on the Chinese economy to take money out of the high end of the market.

"A lot of Chinese money has found its way into Western art, but there will now be less liquidity," he said. "Several really big ticket sales in recent years have been to seven or eight Chinese buyers, and one or two are likely to be less active this season."

Ress said this effect may be partially offset by Chinese investors viewing art as "a tangible and less volatile way to store wealth".

