

| How to avoid contributing to money laundering

A quick guide about the Money Laundering Act for the art industry

Dear Reader

This quick guide is for anyone who deals with art professionally. You might even store art for others or act as an intermediary in trading art. If you do, note that from 10 January 2020 you are covered by the Danish Money Laundering Act. This means that you are obligated to know about, and observe, a number of rules.

When you have read this quick guide, you will know more about money laundering. You will know more about your duties, and what you have to do if you suspect money laundering.

You have a responsibility to know about and comply with all the regulations and duties of the Money Laundering Act!

Regards

Danish Business Authority, Money Laundering Supervision

What is money laundering?

Money laundering is an attempt to hide revenues come from a criminal act, e.g. tax evasion and VAT avoidance, embezzlement, sale of narcotics, wilful mismanagement, extortion, theft, robbery, and human and arms trafficking.

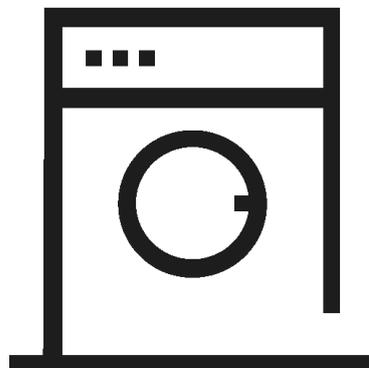
The objective of money laundering is to make illegal earnings from criminal activity look as if they have been earned legally.

Why you need to know the Money Laundering Act!

The art scene can be exploited by individuals for money laundering purposes or to finance terrorism. For example, a person may buy a piece of art for money they have earned from criminal activities, and then sell the piece to another buyer to make the money look legitimate.

This is why it's important to know who your clients and customers are and to know what they do. In fact, you have duty under the law to know this.

The Money Laundering Act protects you from exploitation, provided you comply with a number of requirements.



Getting started

The Money Laundering Act describes a number of requirements you and your business must meet. This *doesn't* mean that you should be suspicious of all your clients and customers. However, it does mean that you should incorporate some standard procedures that you follow every time you have a new customer.

The next pages contain more information about what you should be particularly aware of to meet your obligations as described in the Money Laundering Act.

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No. 1



Different types of art objects

In all situations where you deal art, you should begin by determining what kind of art you are dealing with and consider whether the piece in question is covered by the Money Laundering Act.

The art objects listed below are covered by the term “art” in the Money Laundering Act when they are stored, traded or handled for commercial purposes.

- Paintings, collages and similar, drawings and pastels made by hand by the artist.
- Original engravings, prints and lithographs.
- Sculptures made by the artist, including casts of the sculpture in no more than eight copies.
- Tapestries and wall textiles made by hand from original designs by the artist, provided no more than eight copies of each work exist.
- Individual pieces of ceramics made and signed by the artist.
- Enamel works on copper made by hand in no more than eight copies, numbered and signed by the artist or the artist’s studio.
- Photographs taken by the artist, printed by the artist or under their supervision, signed and numbered and limited to 30 copies.

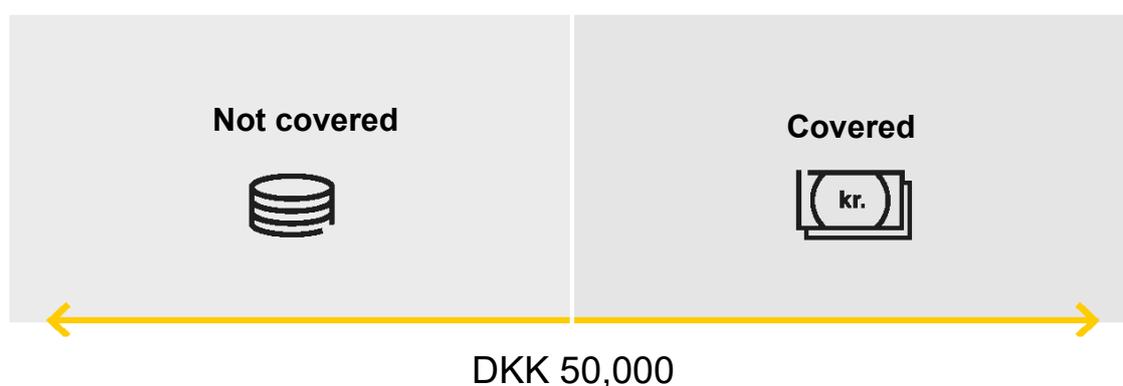
No. 2



Threshold amount and proof of identity

If you work for an auction house or a gallery, for example, you should be aware that all sales or transactions exceeding a value of DKK 50,000 are covered by the Money Laundering Act, and that you have a duty to check the proof of identity of the seller and the buyer.

In order to be covered by the Money Laundering Act, the value of a transaction or a number of mutually connected transactions must equal or exceed DKK 50,000. This applies to when you store, trade and act as an intermediary in the sale of any of the types of art object mentioned under No. 1.



Mutually connected transactions are when:

- You receive DKK 50,000 or more as a lump sum, regardless of whether the amount is for the purchase of one or several art objects and regardless of whether there is a mutual connection between the purchases. This applies even if you invoice each purchase separately.
- The purchase agreements are considered connected if, for example, the buyer has made multiple purchases, or a discount has been given - even if the purchases were not made at the same time.

Auction houses

If you work at an auction house, you need to be aware of the following rules about threshold amounts and proof of identity of your customers. This applies to both sellers and buyers; that is customers who consign art objects and customers who buy art objects.

Seller	Buyer
<p>If the <i>appraisal</i> value equals or exceeds DKK 50,000, you must request that the seller provide proof of identity. Your handling fee/commission is not included in this amount.</p> <p>You must request proof of the seller's identity upon establishing the customer relationship. For auction houses, this is when you appraise the object and enter into a contract to broker the sale.</p> <p>If a work of art is appraised at a value of less than DKK 50,000, but the work is sold for DKK 50,000 or more, you must request proof of the seller's identity after the auction and before payment of the proceeds.</p>	<p>If the <i>final auction price + commission</i> equals or exceeds DKK 50,000, you must request proof of the buyer's identity before you hand the object over to the buyer.</p> <p>You must request proof of identity of the buyer upon establishing the customer relationship; that is when the auctioneer's hammer falls and before you hand the object over to the buyer.</p>

Galleries etc.

If you work at a gallery or you store or trade art, or you act as an intermediary in the trade of art, you need to be aware of the following rules about threshold amounts and proof of identity of your customers. This applies to both sellers and buyers; that is customers who consign art objects and customers who buy art objects.

Seller	Buyer
<p>If the <i>price</i> of a piece of art equals or exceeds DKK 50,000, you must request that the seller provide proof of identity.</p> <p>You must request proof of the seller's identity upon establishing the customer relationship.</p>	<p>If a piece of art is sold for DKK 50,000 or more, you must request that the buyer provide proof of identity.</p> <p>You must request proof of the buyer's identity upon establishing the customer relationship. In other words, you must request proof of the buyer's identity upon entering into a purchase agreement.</p>



If you are an artist and you sell your own works or objects commercially for DKK 50,000 or more, you should be aware that you have a duty to request that the buyer provide proof of identity.

Proof of identity

If your business trades or stores art or acts as an intermediary in the trade of art objects that are covered by the Money Laundering Act, you need to be aware of the proof of identity regulations. This means that you need to ask your customer for proof of identity. This applies to all your customers, i.e. both sellers and buyers.

Note the potentially increased risk if your customer is a foreigner who is not physically present.

Before you enter into a new sales or purchase agreement:

- If your customer is a private individual, ask for their name and civil registration number (CPR number).
If they don't have a Danish CPR number, ask them for their date of birth. Take a copy of their proof of identity, e.g. their passport.
- If your customer is a corporation, ask for their identity information, i.e. name of the company and business registration number (CVR number). Check the company in the CVR register, make a note of the company's legal owners and the beneficial owners and save a printout. If your customer is a foreign company, you need to obtain a registration number similar to the CVR number. Remember to identify the company's ownership details, e.g. by inspecting its certificates of incorporation, articles of association, register of owners, etc. The beneficial owner(s) must provide proof of identity as described in the above.



Reconsider the customer relationship if the seller or buyer refuses to give you their CPR number or to provide proof of identity. You have a duty to collect this information to comply with the Money Laundering Act.

When an individual act on behalf of others

If an individual buys/sells objects on behalf of others - or if you are in doubt about whether they are acting on their own behalf - you must:

1. Identify the person by obtaining their name and CPR number.
2. Verify their identity with a reliable and independent source, for example their passport, driver's licence or health card.

You do not need to obtain further proof of identity than this of an individual acting on behalf of others. But you do have a duty to carry out customer due diligence measures, see Part 3 of the Money Laundering Act, of the natural or legal person who is the actual buyer.

You can read more about customer due diligence measures in Part 3 of the Danish FSA guidelines on the Money Laundering Act.

No. 3



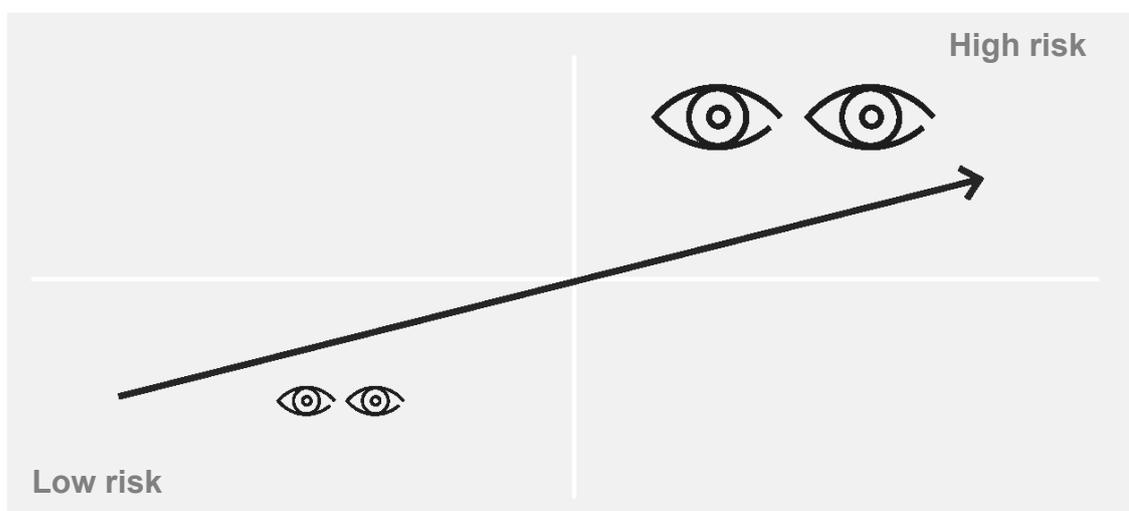
Verification and risk assessment

When you have a new customer, and the type of art object and the threshold limit entail that you are covered by the Money Laundering Act, you need to assess whether the risk of money laundering is low, medium or high.

Overall, you should divide your customers into three groups: low, medium or high risk. Your assessment determines how much or how little you need to look into your customer's details.

If you are in doubt about whether the customer is a low-, medium- or high-risk customer, read the provisions in the Money Laundering Act that describe the differences, as well as Annexes 2 and 3 to the Act.

If you assess that a customer is a high-risk customer, you might need to investigate further where their funding comes from.



No. 4



Investigation and documentation

If you become aware of unusual circumstances concerning a customer, you are required to investigate the customer in more detail.

If you suspect - or have reasonable grounds to believe - that one of your customers is or has been linked to money laundering or financing of terrorism, you are required to investigate the customer to determine whether your suspicion can be disproved.

You should always document your findings, and you are required to save your documentation for at least five years after termination of the business relationship.

Your documentation should include information about the customer, the activity and your conclusion. When preparing the documentation, remember that the objective is to refresh your memory and help others understand the situation.

The investigation requirement is linked to the reporting obligation, see page 13.

You should note

- The nature of the trade and any deviation from standard customer aspects.
- Concealment and other peculiar and atypical customer aspects.

No. 5



Reporting suspicions

In cases where you suspect a customer, you have a duty to notify the Danish Financial Intelligence Unit, so they can assess whether the customer should be investigated in more detail.

You must report immediately to hvidvask.dk if you have a suspicion or reasonable grounds to believe that funds or an activity are or have been related to money laundering or the financing of terrorism. This also applies if your suspicions have been raised in connection with the customer's attempts to conduct an unusual activity, or if a possible customer contacts you with a request that seems suspicious.



Remember, reporting suspicions about someone is *not* the same as reporting them to the police. The Danish Financial Intelligence Unit will assess your suspicion and determine whether to move forward with an investigation.

Report suspicions at hvidvask.dk

No. 6



Documentation and storing information

When your collaboration with a customer terminates, you are required to save all important information for five years.

- Pursuant to the Money Laundering Act, you are required to save proof of identity information for at least five years after the cessation of the customer relationship.
- However, you *must* delete all personal data five years after cessation of the customer relationship unless other legislation stipulates otherwise. In general, you must delete this information by no later than one month after the 5-year time limit unless exceptional circumstances prevail.
- You must store all the information you have collected in connection with compliance with Part 3 of Money Laundering Act about customer due diligence measures, including documentation of identity information and verification data, as well as copies of the identification documents presented by the customer.
- If you have investigated a customer based on a suspicion, you are required to save your findings for five years.

Laws and regulations

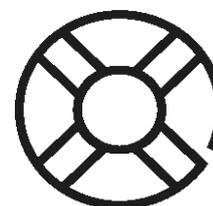
This quick guide is merely an introduction to some of the rules, you need to know and observe.

You can read about the rules in more detail here:

Read about money laundering at erhvervsstyrelsen.dk

Read about the rules on money laundering at finanstilsynet.dk

Contact the Danish Business Authority



If you have any questions about the Money Laundering Act or this quick guide, you are welcome to contact the Danish Business Authority.

Write to: erst@erst.dk

Monday-Thursday: 08:30-16:00

Friday: 09:00-15:00

Read more about the money laundering act and its rules at erhvervsstyrelsen.dk.



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