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Subject: Deloitte art financing
Date: Wed, 11 Jun 2014 18:44:53 +0000
Attachments: 2013_Art_&_Finance_Report.pdf

I attach and extract from Deloitte report. Deutsche Bank, Citi, JPMorgan, US Trust and Bank of America are private banks with most exposure. Non-recourse lenders include Art Finance Partners (U.S.), Art Capital Group (U.S.), Art Assure (USA), Montage Finance (U.S.) and Platinium Art (U.S.). Recent entrants include Borro in the UK and Medallion Financial Corp. The report also notes that the Chinese government allows art as collateral. Perhaps they might be a lender?

Challenges: what do you see as the biggest challenge in offering your clients a loan against an artwork?
Of the many hurdles that private banks face when using art as collateral, the difficulty of assessing the risk (83%) and the lack of liquidity (83%) are cited as most important. These are closely followed by the difficulty of conducting due diligence (77%) and the lack of mark-to-market valuations (77%). The unregulated nature of the market is problematic for 70% and the legal aspects are an important hurdle for 63% of wealth managers (up from 39% in 2011). Secure storage has become a major hurdle according to 60% of European wealth managers (up from 28% in 2011). The advent of the new freeport in Luxembourg in 2014 should allay concerns around secure storage and contribute to the development of the European art finance and lending market.

Recent developments in art secured lending
• Borro is expanding short-term art secured lending in the UK and U.S.: Borro has emerged as one of the new leaders in this segment. The company was established in August 2008, and has seen lending volumes grow significantly in the last four years
• *Medallion* has expanded into art secured lending: the New York-based financial services company recently announced it will offer art secured lending to clients
• *U.S. Bank's Ascent Private Capital Management,* whose clients have at least US$50 million in net assets, says it is building a program around art backed loans that it plans to launch next year
• *Emigrant Bank Fine Art Finance:* despite the legal hurdles facing Europe's art lending market, the demand from collectors for these types of loans remains strong. Emigrant Bank Fine Art Finance has seen strong demand in the UK, and opened an office in London in January 2013. However, it is unlikely in the current climate that we will see traditional banks setting up expensive infrastructure to be able to support art lending, and we are more likely to see banks outsourcing these types of services to third party specialist providers, such as in the case of UBS (U.S.) and Emigrant Bank Fine Art Finance

China's government allows art as collateral: in 2012, the Chinese government started working on a strategy to allow financial institutions to accept artworks and other collectible items as collateral for bank loans to cultural enterprises.50 Reportedly, the Chinese government is looking into setting up the infrastructure to facilitate art lending that would involve verification, authentication and certification;such a system is currently missing for artworks and collectibles. This new development comes on the back of its decision to accelerate cultural development and prosperity. The Professional Talents Management Centre under the State Council, China's cabinet, has started work on a plan to adopt a universal accreditation system and train qualified authenticity appraisers, with banking staff said to be included in this program

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