

Art and banking

Artful investment? Banks' "art advisory services" are new players in the market



Francesca Guglielmino,
Citibank's art advisory service

hattan and UBS have all started up art advisory departments. Randy Willette and Valika Foundoulakis are responsible for UBS's Desk in London, and another four art historians work in its Basel headquarters.

"When we start working with a client who wants to use our service, the first thing is to get to know his or her financial profile," says Dr Foundoulakis. "This shows how they spend money, what their approach is to investment. Then we can advise as a function of this: for example a bond or cash investor might be oriented towards a low-risk area such as Old Masters, whereas we could advise a dot.com entrepreneur or a property developer to look at contemporary art". UBS also has accounts with the major auction houses, so "clients get part of the commission on sales back from us".

While most of the art advisory services anxiously deny

that they ever advise clients to "invest" in art, in fact they provide a great deal of information about different aspects of the market. One problem, claims Dr Foundoulakis, is the lack of an efficient tool to measure the market. "I can look at Art Sales Index but that is based on auctions, but what we really need is an index tracing all aspects of art transactions," she says. (see opposite). While UBS does not currently accept art as collateral, a number of other private banks do, including Citibank, IJB Whitehall and Fleet. They generally lend against art at 50% on the margin, which means the borrower gets half the market value of the painting. "We're very cautious about whom we deal with and about the transactions we undertake," says Gerald Levine of IJB. Memories of the great boom-and-bust period of the late 1980s in Japan, when borrowers prised great sums out of their banks for vastly overestimated art, are still fresh in everyone's memory. But with the art market continuing to expand, the banks cannot afford not to get in on the action. "There will always be a market for art, and it will always grow," says Dr Foundoulakis.

Georgina Adam

Art as an investment

Measuring art as an asset David Kusin aims to bring transparency to the art market

DALLAS. As an investment, fine art has always been different from other assets, lacking both the transparency and the regularity of the stock exchange and other indices. Major works of art are traded in secrecy or only at certain times of the year at auction, and the costs associated with trading vary wildly. While the Art Sales Index and other sites such as www.artnet.com can give a lot of information, they are based on auction sales and generally do not take account of bought-in lots. Step in David Kusin, an entrepreneur (www.kusin.com) dedicated to bringing transparency to the "last most inefficient market" as he calls it. His firm, which works only for businesses and for two unnamed governments, produces indices for 100 different classes – from Japanese arms to European Old Master paintings – to evaluate their risk or investment potential. His book, *The Art Economy*, is due out next year.

The great interest of Kusin's method is that he includes elements that previously dropped

through the net, such as bought-in lots and sales through dealers. "We look at each transaction separately, taking into account condition, provenance, desirability, and compare it with other works on the market. We can eliminate, for example, what we call the 'marginal moron', someone who will pay a crazy, one-off price," he explains.

The company carried out "in-depth interviews" with 54 leading dealers in London, New York and other major cities, and also polled another 3,600. From this information he produces a "risk profile" of a sector, information that a bank might use lending money against art. "When handling an estate the bank could lend money to pay death tax and we could advise on which part of the collection would best to take as collateral," he says. "We have just finished a study of Impressionist painting, which showed that the market topped out last spring," – a conclusion that was certainly borne out by this autumn's sales. **G.A.**

LONDON, NEW YORK. The traditionally monolithic profile of the art market, once dominated by Sotheby's and Christie's, is increasingly fragmenting as new players vie for a chunk of the lucrative \$22 billion-a-year cake.

Jockeying for position is Phillips, the world's number three house, which is throwing millions at entering the market in York; heavy-hitting transnational private dealers such as David Nash or Simon Dickinson, plus some very savvy art advisors. And now a number of private banks are getting in on the act. They will advise, buy and sell for their clients, value, insure and curate their collections and even lend money against art – money that the client could use to buy more art.

The oldest established art advisory service is offered by Citibank New York, which boasts an 11-strong team of art historians headed up by the charming, cosmopolitan Francesca Guglielmino, a medievalist who worked for Christie's before moving to New York. "We don't advise our clients to invest in art," she says, "but wealthy people have art and so we have a unit for them". She attends the major auctions, both as a buyer and as a guide for clients seeking to improve their knowledge of the market, and can use the bank's advantageous selling commissions with the auction houses for clients' benefit, should they want to sell.

"We are seeing much younger people with a great deal of money," she explains, "and as art today is much more embed-

ded in the public consciousness, they want to use their surplus wealth to collect". With newcomers to art, Citibank will escort them to exhibitions, introduce them to dealers and generally guide them. With older clients, the bank will advise on estate management, for instance advising on which part of a collection would sell best to pay death duties. The unit's clients have collections worth from \$1 million to \$200 million.

While Citibank has been around for over 20 years, many other private banks are climbing on the bandwagon. In the last few years Credit Suisse, Deutsche Bank, Coutts, Chase Man-