

ART & MUSEUM MAGAZINE INCLUDED

# FAMILY OFFICE MAGAZINE

SPECIAL ISSUE



**TAYLOR HAMPTON SOLICITORS**  
DANIEL TAYLOR

FAMILY OFFICES - UHNWI - WEALTH MANAGEMENT - PHILANTHROPY - LUXURY - LIFESTYLE

Subscription €99 per year

[www.familyofficemag.com](http://www.familyofficemag.com)

MARINE**GUARD**

**GLOBAL  
MARINE SECURITY  
SYSTEMS**

**SECURITY THROUGH INNOVATION**

Private Banking.

**ING** 

**Sometimes 3 letters  
make all the difference**

Because you shouldn't have to compromise to achieve excellence, ING Luxembourg offers you a full experience in Private Banking. Our experts in asset management, lending solutions, wealth analysis and planning keep up-to-date to offer you the most relevant advice regarding your overall situation.

[www.ing.lu/privatebanking](http://www.ing.lu/privatebanking)



T: +44 (0) 23 8083 9100 ENQUIRIES@MARINEGUARD.COM WWW.MARINEGUARD.COM

MARINEGUARD SYSTEMS LIMITED - SAXON HOUSE, SAXON WHARF - LOWER YORK STREET - SOUTHAMPTON - SO14 5QF

ING Luxembourg, Société Anonyme – 52, route d'Esch, L-2965 Luxembourg – R.C.S. Luxembourg B.6041

**FAMILY OFFICE  
21ST CENTURY**

05

ROLLS ROYCE  
BLACK BADGE

07

UNEXPLAINED  
WEALTH ORDERS  
FAMILY OFFICES

11

BIO-PRINTING  
TECHNOLOGY  
GOLD RUSH

13

CYBERCRIME IN  
THE FAMILY OFFICE  
SPACE. CITI BANK

15

**MANULIFE**  
BEATING THE BOND  
MARKET

17



**FRANK CASEY**

**TAKING DOWN  
BERNIE MADOFF**

25

**FAMILY OFFICE  
IN AFRICA  
ING BANK**

19

LA PLAYA  
MARINE  
INSURANCE

21

MALTA  
ESTATE  
PLANNING

23

BLOCKCHAIN  
AND CRYPTO-  
CURRENCIES

29

SUPERYACHT  
BUYING OR  
SELLING?

31

**FAMILY OFFICE  
IN GUERNSEY**

35

**MULTI  
FAMILY OFFICE SELECTION**

37

**DEBRETT'S  
SUCCESSION**

39

**FAMILY OFFICE**

PHILANTHROPIC FAMILIES

41

**BNY MELLON  
FAMILY OFFICE**

43

**FAMILY OFFICES**

CITI PRIVATE BANK

53

**PANDORA  
ART SERVICES**

50

**ART & MUSEUM  
MAGAZINE**

**TAYLOR HAMPTON  
SOLICITORS**

DANIEL TAYLOR



03

# REPUTATION MANAGEMENT FOR FAMILY OFFICES WITH FINE ART ASSETS

"It takes 20 years to build a reputation and five minutes to ruin it....". So said Warren Buffett. It is as true for the world of finance as the world of high value art. Maintaining an existing reputation is one of the primary responsibilities of a family office and its advisors. Any incident affecting the reputation of one individual member or branch of the family can have implications for the family name, for other members or even for future generations. Family Offices actively acquiring or selling fine art and other luxury assets are especially exposed to risk in an increasingly media intrusive world.

Reputation management is a vitally important aspect of the art world; it affects buyers, sellers and intermediaries in terms of their standing and, indeed, the artworks themselves can become 'tainted' by allusions to dubious authenticity. When doubts are raised, a work may rapidly lose its value, and become more difficult or impossible to sell which then may have implications for the dealers themselves.

Daniel Taylor set up Taylor Hampton, a specialist reputation management firm, in 2007, after many years specialising in libel and privacy, having defended the press in numerous high-profile actions.

Taylor Hampton has been fortunate to have been involved in two of the seminal libel actions of the past decade, including the case of the art and culture critic Sarah Thornton against Telegraph Newspapers, which led to the requirement in the Defamation Act 2013 for there to be serious harm to reputation before proceedings for libel could be brought. The case of Lachaux v Independent, shortly to be heard before the Supreme Court, has reaffirmed that serious harm can be inferred from the words themselves without the need to call evidence.



Daniel Taylor  
Taylor Hampton Solicitors

The growth of social media, the hype surrounding celebrity culture, paparazzi exploits and the press's desire for scandal, has assured Taylor Hampton a steady stream of new clients seeking to redress unwanted media attention. Daniel Taylor's experience in having represented both the media and Claimants is that "upholding and maintaining your good reputation is critical and everyone has the right not to be traduced by defamatory and untrue remarks and not to have their private information misused".

However, it is not always those with a high media profile that are vulnerable. Anyone can fall foul of unfortunate circumstances and find themselves in the media spotlight. The firm was involved in a highly-publicised action in the phone hacking scandal case which led to the closure of the News of the World and the firm also acted in the landmark privacy case of Gulati v Mirror Group Newspapers which has set the benchmark for damages in privacy cases.

In this regard, slander of title, or a false denial of a work's authenticity can have potentially serious consequences for the dealer and the artwork. In the famous case of Hahn v Duveen, the highly influential art dealer, Sir Joseph Duveen declared American collector Andrée Hahn's masterpiece to be a fake. The work in question was Leonardo da Vinci's *La Belle Ferronniere* and it cost the owner the sale. Duveen paid a significant amount to settle the matter. It is an illustration of how such matters relating to authenticity and title can impact on the art market.

Any attack on an artwork could potentially have serious consequences for its owner. In a recent American case, the well-established art dealer Gerald Peters claimed that his own reputation was at stake because another gallery declared a painting he was selling, *The Sun and The Rain*, to be a fake. The painting was valued at some £750,000. However, the judge found that defaming the painting did not defame its owner. It is a moot point as to whether the conclusion of the Judge in that case would be similarly followed in UK law.

Drawing on the company's experience and recognition in its field in steering complex cases to a successful outcome, the same expertise is now being brought by Taylor Hampton to bear in the art market, a world increasingly subject to high profile scandals.

The firm acts for several artists and also art market professionals. It has recently been involved in a high-profile art fraud case as a founder member of the Art Due Diligence Group, a body of specialists assisting family offices, collectors and advisors with high-end art transactions, art recovery and reputation management.

The company's Art Law department is currently seeking to recover monies in respect of a sculpture that was never delivered.

Taylor Hampton Solicitors Limited  
Phone: +44 (0) 20 7427 5970  
E-mail: [enquiries@taylorhampton.co.uk](mailto:enquiries@taylorhampton.co.uk)  
[www.taylorhampton.co.uk](http://www.taylorhampton.co.uk)

## One of the family.

The only system you need for your Single or Multi-Family Office.

NavOne is the world-leading wealth management system delivered by Touchstone and powered by Microsoft Dynamics NAV technology.

Used by Single and Multi-Family Offices, small to large trust and fund administration companies, private equity firms and specialist legal and accounting practices across 24 global jurisdictions, NavOne is proven to increase operational efficiencies and reduce administration costs and enable secure and selective private client access to their data.

For more information call 01534 818900 or visit [touchstoneOne.com](http://touchstoneOne.com)

Delivered by  
 **Touchstone**  
Wealth system experts

Powered by  
 Microsoft Dynamics



 **NavOne**  
One complete system

MAGIC CIRCLE AWARDS

Technology Vendor of the Year

Citywealth  
2015 WINNER

# THE CHANGING FACE OF THE FAMILY OFFICE IN THE 21ST CENTURY

Global wealth is undergoing an unprecedented transformation." Such was the headline from the paper\* published by Ernst & Young ('EY') earlier in the year regarding wealth management in 2018. This will not be a shock to anyone involved within the sector, but it does reaffirm the reality. Today's wealth managers need to adapt and evolve to meet the changing demands of clients and keep pace with stricter regulations and the breakneck speed of technology, if they want to thrive in the highly competitive global marketplace.



Anthony Page

EY report that one of the key factors driving change is an increase in the size and growth of the net investable assets of HNWI's, which according to them are expected to increase by around 25% to almost US\$70 trillion by 2021. This finding, along with changing concerns regarding succession issues, increased transparency, cybersecurity risks and changes to taxation levels, have left many wealthy individuals finding the appeal of the Family Office an attractive proposition. However, in order to continue to remain relevant in these times of change, the Family Office also needs to evolve and ensure it will remain an attractive proposition for future generations.

A Family Office can offer wealthy individuals a raft of benefits which include: an integrated wealth management approach; philanthropy & charitable



giving; succession planning and protecting and enhancing the family wealth for the next generation. Much has been reported in recent times about the largest intergenerational wealth transfer in history - from baby boomers (those born between 1946 and the mid-60s) to the millennials (born between 1980 and 2000) and the generational gap between the two, bringing with it much conflict and debate within the family unit.

For many families, the issue is one of a skills gap, with the next generation being ill-equipped to manage the family wealth. For others, it may be a lack of desire by their children to enter into the family business, preferring instead to pursue their own goals and ambitions. From my discussions with clients and advisors, it can be heartbreaking for the family in situations where there is no-one interested in taking on the family business. In such instances as this, the family may try to incentivise their children to become engaged, but where this often fails the only option is to resort to exit strategies or management buy-out. But this is where we, as a Family Office, come into our own. From the outset, we can add value by being the impartial voice that can ask the difficult but necessary questions, free from any emotional attachment.

"A rich person should leave his kids enough to do anything but not enough to do nothing." Were the words cited

back in 1986, by US billionaire, Warren Buffett. Since then, many other high profile billionaires, such as Bill Gates, Andrew Lloyd-Webber and more recently Mark Zuckerberg, have followed this sentiment by pledging the bulk of their fortunes to charity and paving the way for their children to make their own way in life. That said, most will still inherit a sizeable sum that most of us can only dream about, but it does demonstrate change by some ultra-wealthy individuals and the lessons they are trying to teach the next generation about giving back to those less fortunate. Family Offices also assist with philanthropic and charitable giving, and so in addition to succession planning for family businesses, Family Offices will need to look to future-proof the goals and aspirations in this area. Alternatively, putting plans in place now with the next generation to combine ambitions in this area, particularly in the ever-changing social and economic landscape would be prudent.

Of course, the generational gap is also evident when it comes to matters of confidentiality and privacy. The digital savvy millennials are quite happy to play out their entire life in the full glare of social media, something which can have a detrimental effect on reputation and the privacy of wealthy individuals. Today, it is not just large corporations and governments who need to address the potential issues of cybercrime. High profile individuals, with sizeable assets, have also become attractive targets. So, our role in 2018, as a Family Office, has naturally expanded to ensure we support our clients and assist them in becoming properly protected, with crisis management plans put in place to address any potential data or security threats.

Reputational damage has also led to clients becoming more aware and interested regarding their financial affairs. Fully understanding what structures are in place for them, and in what jurisdictions, has also come about through an increase in regulatory requirements. New legislation, such as the Foreign Account Tax Compliance Act (FATCA), Common Reporting Standard (CRS) and the Trusts Registration Service (TRS) are just some of the more recent reporting requirements wealth managers must comply with to meet global standards. With all our clients, we have always adopted a collaborative approach to build trust, but this is even more important when considering intergenerational planning. We

will always thoroughly review and ensure complete knowledge is gained before taking any action for the client. Business today is much more entrepreneurial and often transcends borders, so we need full disclosure to accurately advise.

This can often assist with clients considering longer-term investments, rather than short-term gains, which is particularly crucial for succession planning.

'Passion based' investments is one area where we are continually evolving our service offering. Classic cars, fine wines, watches, jewellery and art collections are all assets we have been required to manage. This particular investment field, coupled with the changing demands of clients, particularly with the next generation and their on-demand expectations, led to the creation of our 'Concierge Service' last year. The digital era brought service expectations into an 'on-demand' approach and this has been reflected in us now providing a 24/7 offering. Be that to organise the day to day administrative elements of managing fine wines or property estates, to assisting a family relocation and encompassing all which that entails: including property sourcing and acquisition; educational requirements for the family's children; life assurance; vehicle acquisition; medical registrations and much more.

In recent years, the rise of HNWI's in developing countries has been a hot topic. As a result of this increase in wealth, the need for Family Office services in regions such as Africa and the Middle East has soared. A recent business trip to Africa reaffirmed our ideas, but what became apparent is that the same conflicts and challenges are the primary concerns by wealthy individuals and their families the world over.

So what the future face of the Family Office will look like remains to be seen. As the Brexit negotiations continue to unfold and add to the uncertainty, we, like many other Family Offices, will continue to monitor the landscape and listen to our clients. Having our clients at the heart of all we do ensures we are prepared for the change ahead and enables us to continue to thrive in the global wealth management marketplace.

[www.knoxhoustrust.com/member/anthony-page](http://www.knoxhoustrust.com/member/anthony-page)

## ROLLS ROYCE

"Black Badge is an attitude to life, an aspect of the Rolls-Royce brand that appeals to those people who are elusive and defiant, the risk takers and disruptors who break the rules and laugh in the face of convention"

## BLACK BADGE





# ROLLS-ROYCE

## AN ALTER-EGO FOR A NEW BREED OF CUSTOMER

# BLACK BADGE

The substantive transformation of an icon

FAMILY OFFICE ELITE MAGAZINE SPECIAL

SPECIAL PERMISSIONS FOR RE-DISTRIBUTING THIS ARTICLE, CONTACT US

Torsten Müller-Ötvös, Chief Executive Officer Rolls-Royce Motor Cars

“Black Badge is an attitude to life, an aspect of the Rolls-Royce brand that appeals to those people who are elusive and defiant, the risk takers and disruptors who break the rules and laugh in the face of convention. They are driven by a restless spirit. They play hard, and they change the world. Technically and aesthetically Black Badge is the alter ego of Rolls-Royce, darker, more assertive, more confident and powerful, and more demanding. With Black Badge, we have created the most commanding presence on the super-luxury landscape. It is a truly transformative moment for our great brand.”

Sir Malcolm Campbell, Howard Hughes, Keith Moon, Yves Saint Laurent, Muhammad Ali and our own Charles Rolls to name a few. Young gentlemen in a hurry, driven by their restless spirits to change the world in their own way. Untrammelled by social convention, these disruptors lived life on the edge, believing the ultimate power to be self-empowerment, pushing every boundary to realise their personal vision. Glamorous and daring, they lived fast, worked hard and played hard.

Today's generation of young, self-empowered, self-confident rule-breakers are just as uncompromising and unapologetic in their choice of living and lifestyle as their predecessors. They follow the road less travelled, live the unconventional life, darkly obsessed by their own pursuits and accomplishments from which they derive a pure adrenaline rush.

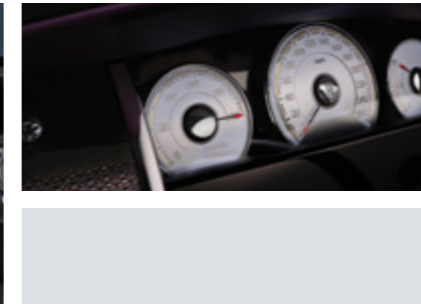
Their life is their entertainment, and they live it on their own terms.

And when the day is done, and the battle is won, these supremely confident people engage with the night, they go where it leads, and take all it has to offer as their just reward.

As demanding in their lifestyle as they are in their life pursuits, these highly-driven people insist on great substance from any symbol of their lifestyle. More and more, such individuals wish to demonstrate their success through a symbiosis between their life's work and their chosen brands.

Over the last years, many such individuals have gravitated towards the revitalised Rolls-Royce Motor Cars as the brand most appropriate to encapsulate their truly different lifestyles, much as their celebrated predecessors did in days past.

Always pushing their own boundaries, they have asked Rolls-Royce Motor Cars to do the same. Excited by the infinite possibilities that its Bespoke approach offers, they have asked the marque “to produce a Rolls-Royce like



Rolls-Royce Black Badge speaks to the darker, more assertive, confident and demanding aesthetic of these customers.

no other, a Rolls-Royce that not only appeals to, and projects, our sensibilities, but is fundamentally different – like us.”

And, always ready to deliver a truly Bespoke answer to meet the customer's desire, Rolls-Royce Motor Cars has once again demonstrated its true luxury credentials as the world's leading super-luxury brand. Rolls-Royce has transformed the very icons of its brand to access a darker side of its character more suited to this breed of successful people.

Rolls-Royce Black Badge speaks to the darker, more assertive, confident and demanding aesthetic of these customers. As a truly Bespoke response to their desires, the interplay of brand and customer has had a transformative effect on the appearance and substance of Rolls-Royce Ghost and Wraith. The result is Ghost Black Badge and Wraith Black Badge.

Together with the Parthenon Grille, the famous Double R logo and the Spirit of Ecstasy are the very embodiment of the Rolls-Royce brand. However, these treasured symbols of the marque have been willing to change their identity in appropriate circumstances before.

In Ghost Black Badge it is important to ensure rear compartment passengers' comfort by maintaining Rolls-Royce's renowned 'Magic Carpet Ride'. Rolls-Royce engineers used the flexibility of the 6.6 litre V12 engine to make Ghost Black Badge a little more menacing. Subtle engine output modifications see power increase by 40hp (30kw) to 603hp (450kw) and torque by 60Nm (840Nm) compared to current Ghost, whilst upgrades to the 8-speed automatic transmission give Ghost Black Badge an added sense of urgency in how it delivers its power.



“Black Badge was a fascinating challenge for Rolls-Royce's engineers.”

# UNEXPLAINED WEALTH ORDERS WHAT FAMILY OFFICES NEED TO KNOW

London has long been a destination of choice for wealthy families looking to relocate or simply to invest in prime real estate.

Despite the undoubted benefits, this investment has brought to the UK – there has been a distinct chill in the atmosphere recently and the attitude to foreign investment has started to shift.

A recent delay to the renewal of a high profile Russian individual's investor visa was seized upon by the media (with no evidence) as an example of a new tougher stance being taken by the authorities with regards to wealthy foreigners who seek to make the UK and in particular London their home.

In January 2018 the government introduced the authorities' latest weapon in the fight against organised crime and 'dirty money' – the unexplained wealth order or UWO. Characterised by the press as the 'McMafia Law', these new powers provide a powerful tool to compel individuals to provide information about the source of their wealth.

The first ever UWO was obtained and served shortly after that and my firm is currently instructed in challenging this order in the High Court.

It should be emphasised that everything suggests that these cases are only the beginning. The Sunday Times has reported a source at Number 10 as saying, "No one is off the table. Nothing will be advertised, but you will see a step change in unexplained wealth orders". Perhaps even more ominously, a senior director at the National Crime Agency has said that they have identified, "between 120 and 140" individuals in the UK who are potential targets for UWOs.



By Thomas Garner  
Gherson Solicitors

No one could argue against the principle that it is essential to have a robust anti-money laundering regime in the UK. However, the introduction of the UWO – that can be targeted against individuals where no suspicion (still less evidence) of criminality exists raises genuine concerns.

The UWO represents one of the most disruptive and intrusive devices available to the authorities in the UK and the impact that is receiving an order will have on a family is dramatic. A UWO poses a direct threat to an individual's privacy, security and reputation, which families of wealth understandably hold dearly.

I have met with several advisors to High Net Worth families recently who remain entirely in the dark about UWOs or, at best, are only aware of how these orders have been (misleadingly) portrayed in the media. In my view – anyone who represents a family with significant assets in the UK needs to be aware of the underlying facts.

For those who are thinking – 'sure but I don't represent any gangsters' – think again. In many cases, there is no requirement for any suspicion (still less evidence) of criminality whatsoever.

Any foreign Politically Exposed Person (PEP) is potentially at risk. To obtain a UWO against a foreign PEP (or someone related or connected to one) the authorities need only demonstrate that there is property in the UK valued in excess of £50,000 and that there are grounds to suspect the individual could not afford to purchase it with their known lawful income.

UWOs are obtained in secret, without notice. The order will require an individual to respond to a detailed list of questions and to provide whatever documents are requested of them. The timescale for preparing this response is incredibly short.

A failure to comply will lead to a legal presumption that the property is the 'proceeds of crime'. The authorities will then seek to confiscate the property. Providing false or misleading information constitutes a criminal offence punishable by imprisonment.

Just a few years ago it would have been utterly unthinkable to have a situation where – with no proof of criminal activity – an individual could be compelled to provide the authorities with detailed information as to their finances. This, however, is now the reality.

UWOs can be issued against anyone believed to hold an interest in the property – perhaps a family member who had nothing to do with the original purchase. They are retrospective in nature – they can be issued in respect of property that was obtained many years ago – decades even. And – to underline the point – they are mandatory. Your choice is stark – comply or accept that there will be a presumption that the property is the proceeds of crime.

You may want to consider the following hypothetical scenarios:

- A client's child studies in the UK. The child doesn't work but drives a Ferrari. Could they prove the source of funds for that car? How do they fund their lifestyle in the UK?
- A house is purchased and held as part of a family trust structure and the beneficiary is a client's spouse or child. If their spouse or child was served with an order, could they identify the source of funds used to purchase the property? Would they be able to provide documents? Would they be comfortable about disclosing the entire trust structure?
- A client receives a modest official salary. In actual fact, they also have several other legitimate sources of income, which generate significant wealth. To what extent would they want to disclose all their financial affairs if required to do so? If they had to do so by next week would they be able to?

I cannot emphasise enough that the timescales involved in responding to an order are incredibly short and the requests for information and documents are extensive. For families with complex financial arrangements merely assembling the documents in time can be challenging if not impossible.

The good news is there is a lot that can be done to prepare in advance. Families may want to consider a precautionary review of their assets and documentation to assess the level of risk they may face and to consider the potential work that could be done to improve their position. Similarly, those who are contemplating purchasing assets in the UK may want to consider taking advice in advance with regards to any purchase.

Thomas Garner is a solicitor at Gherson. Gherson specialises in acting for High Net Worth individuals and their families.



# THE NEXT TECHNOLOGY GOLD RUSH

# BIO-PRINTING

## BIOPRINTING BODY PARTS FOR TRANSPLANTS

Bioprinting involves the use of advanced printing technology to print live cells for use as human organs for transplants; the cells then seem to be able to rearrange themselves after printing.

The 3D printing industry has come a long way in the last few years and has for some time been printing a diverse selection of objects in areas such as automotive, medical, business, industrial equipment, education, architecture, consumer products, plastic and metal items. However, while this seems like an incredible achievement, even more incredible is the recent development of bioprinters. This technology that can construct living tissue by outputting layer-after-layer of living cells will revolutionize the medical field. 3D printed prosthetics and implants have already been on the market for a number of years. Recently in the news, the first customized 3D-printed lower jaw was created for an 83-year-old patient with a serious jaw infection. The FDA has also given approval for a 3D printed implant that replaced 75% of a man's skull.

Future developments include keyhole bioprinters that can repair organs inside a patient's body during an operation; other developments have cosmetic applications such as face printers that could evaporate existing cells while simultaneously replacing them with new cells. Future technology could also give people the ability to download a face template from the Internet and have it printed onto their own face or have a saved template of their own younger face and have it reprinted back on, later on in life. As bioprinting interacts more and more with the medical fraternity, replacement body parts and organs will be a relatively simple and routine task. In addition, as every organ printed will be from a patient's own cells, the risk of transplant organ rejection would be negligible.

According to Christopher Barnatt, the Associate Professor of Strategy and Future Studies at Nottingham University Business School in the UK, 'I believe that bioprinting will become a mass-use medical technology, largely because it will be readily scalable, unlike current transplant techniques that are limited by donor tissue availability. I expect bioprinting to enter an application in the early 2020s for things like nerve and arterial graft transplants. Kidneys will probably follow by the late 2020s, and more complex organs, plus in situ bioprinting in the 2030s.

- REPRINT DAMAGED BODY PARTS AND SKIN
- REPRINT YOUR YOUNGER FACE AT ANY AGE
- POSSIBILITIES FOR MEDICINE ARE ENDLESS



"Bioprinted images created by and copyright (c) Christopher Barnatt, ExplainingTheFuture.com"

# BEST PRACTICES FOR COMBATING CYBERCRIME IN THE FAMILY OFFICE SPACE

By: Edward V. Marshall, Family Office Specialist, Citi Private Bank



There were 781 data breaches reported for 2015. The estimated annual cost of cyber-attacks is \$400B and the estimated global cost of cybercrime will reach over \$2T by 2019. These are a few staggering statistics that provide insight into the nature of a risk management problem that is often discussed but whose nature is seldom well-understood.

With this backdrop, data breaches continue to increase annually. There is no shortage of news stories describing cyber-attacks. Attacks ran the gamut from theft of credit card information, exposing of sensitive medical or financial information, hacking the servers that help run the Internet, pilfering political documents, and shutting down power generation in parts of a country at war.

One key trend in the cybersecurity landscape is that the threat is actively evolving. The volume and sophistication of threats are increasing. Whereas perpetrators can make countless attempts but only need to succeed once, those affected by cyber-attacks face potentially overwhelming effects from just one cybersecurity failure. The hacker threat has expanded beyond opportunistic individuals using common techniques to include nation-state actors and professional cyber criminals that are properly motivated and armed to wreak havoc on information systems.

Enter Family Offices. Family Offices represent and manage tremendous amounts of wealth around the world. Family offices represent 8% of the global UHNW population but represent nearly 50% of global UHNW wealth. In North America alone, there are an estimated 4,500+ Family Offices (Source WealthX). Complex and dedicated efforts to ensure cybersecurity are often given insufficient attention

within a Family Office unless a serious breach has occurred in the past with the family. A recent report by Campden Wealth indicated that 15% of Family Offices surveyed were victims of a cyber-attack with losses generally of \$50,000 or less with one incident that cost a family more than \$10 million. Don't let the lower dollar value of losses fool you into a sense of security. Hackers use these lower numbers as demands so that people will choose payment to get a quick fix versus trying to fix a problem. Hackers are often impatient and often prefer smaller "sure thing" targets versus drawing unwanted additional attention (e.g. the FBI) through very large demands.

Willie Sutton, an accomplished bank robber, was once asked why he robbed banks to which he replied: "because that's where the money is". This problem creates a similar dilemma for Family Offices and makes them a lucrative target for hackers. Many Family Offices have the "wealth" commensurate with small and medium enterprises, but they typically don't put in place the same levels of security. This, unfortunately, has often led them to inadequately understand and protect against cyber-attacks, which are often regarded as problems for large corporations and governments. This complacency usually makes Family Offices an easier target when compared to other institutions or businesses. However, looking at wealth alone as a predictor of cyber-attack threats is myopic. Specifically, Family Offices face complex cybersecurity challenges because of these six differentiating factors: informal governance structure, efficient service vs. effective security, underinvestment in critical information technology systems, heavy reliance on small staff with outsized access to critical data, security risk from external vendors & partners and fame & publicity.

News headlines and the steady drumbeat of warnings of the consequences of improperly preparing against cyber security risks have made the threats look like a "hydra-tackle" one problem and two more appear.

Family Offices are asking: What should we focus on? Is protection against the threats worth the expenditure? Who can we trust in the cybersecurity market? Are there benchmarks from other sectors we can emulate? Regardless of what stage of cybersecurity preparedness Family Offices find themselves in, they should start developing a comprehensive information security program that is flexible and can incorporate lessons learned and adapt to new threats. We recommend that Family Offices consider a framework on 1) technology, 2) people, and 3) process when implementing and improving their cybersecurity programs. Too often families will sacrifice training over a new hot technology service or ignore simple improvements like annually checking their staff's software and devices to make sure they are updated and conducting routine training on cybersecurity protocols. Furthermore, Family Offices need to identify what and where critical digital assets are. Family Offices have to understand what the "crown jewels" are and determine if they are safe even if their network has been breached.

People are often the weakest link in the information security system for a Family Office. The level of awareness of information security threats and the proper ways to combat them has great variability. Therefore, cybersecurity education should be a key part of family planning and business operations meetings. A simple way to help shore up cyber defences is the through the creation of Family Office cybersecurity policies. These policies can be derivations of parent companies that created the wealth that are customized to the unique nature of the Family Office. Policies should include recommendations on how to prevent cyber-attacks and what to do in case a breach is detected. Policies should be updated regularly, and Family Office teams should regularly certify that all members (including the Principal) understand the policies and procedures.

As awareness grows, so does proliferation of published information on cybersecurity issues for Family Offices. Staff should regularly research cybersecurity issues from Family Office associations, webinars, podcasts, and on LinkedIn. Family Offices should also examine private and public cybersecurity organizations such as APWG (<http://www.antiphishing.org>), ISACA (<https://iasca.com>), No More Ransom Project (<https://www.nomoreransom.org>), the Cyber Threat Alliance (<https://cyberthreatalliance.org>), the Department of Homeland

Security (<https://www.dhs.gov/how-do-i/protect-myself-cyber-attacks>) or the FBI (<https://www.fbi.gov/investigate/cyber>). There is also a cottage industry of security professionals and organizations that are springing up to cater to Family Office security and specifically cybersecurity issues.

Family Offices should contact their attorneys, accountants, corporate Chief Information Security Officers (CISOs), and other professionals to identify suitable cybersecurity partners.

Family Offices should also consider working with internal or external partners to test staff awareness of these policies. For example, a family could work with internal teams or hire an outside vendor to perform "white hat" simulated cyber-attack tests against staff to determine weak points and increase general understanding of threats. These tests are usually "pretend" malicious attachments, Tweets, and Facebook messages with pretend malicious shortened URLs. If a Family Office staff member clicks on the link, they typically will get a "gotcha" surprise. Regardless of the type of training, Family Offices should consider refreshing and educating no less than on a quarterly basis.

In conclusion, Family Offices face a challenging world as cyber criminals look to exploit their very nature. Threats continue to evolve in cyberspace because new defence mechanisms lead to innovative new attack methods and vectors. Building a resilient, cognizant, and learning culture around information security is important for Family Offices of all sizes and jurisdictions.



Edward V. Marshall  
Citi Private Bank

# Manulife BEATING THE BOND MARKET

BY Chris Chapman, senior analyst, Strategic Fixed Income manulife asset management

Anyone invested in global bonds may have had a nasty shock back in November.

Emboldened by Donald Trump's election victory, investors sold bonds and other safer assets in favour of riskier shares they hoped would benefit from his plans for economic growth. Headlines around the world screamed of trillion dollar losses in bonds. Some three months on, does global fixed income represent a good investment?

As always, the assets you invest in and what you do with them depend wholly on the outcome you're trying to achieve. In fixed income, many professional fund selectors are looking for capital preservation with a level of income healthily above that generated by cash or government bonds. At the end of a long bull run and at the start of a period of rising interest rates this is no easy job. However, a portfolio of well-chosen global bonds that may be positioned differently than traditional global fixed income indices, coupled with sensible calls on currencies and interest rates, can still deliver an attractive level of income and capital preservation.

An unconstrained global fixed income approach has the flexibility to dynamically allocate across countries, sectors and securities and take currency positions not only to reduce risk but also to generate precious alpha. Done well, the idea is that you could gain better returns than the market, or rather an index, but with no additional levels of risk. In other words, you aim to take a smoother road to a higher summit than a rockier and possibly lower path.

Here's how it works.

Benchmarks – what are they good for?

The first thing is to be aware of is how the index is positioned but avoid using it as the primary foundation for investment decisions. These days, the sort of indices used by many global bond funds have big concentrations in high quality, global government debt. Given the current low yield environment, these securities bring

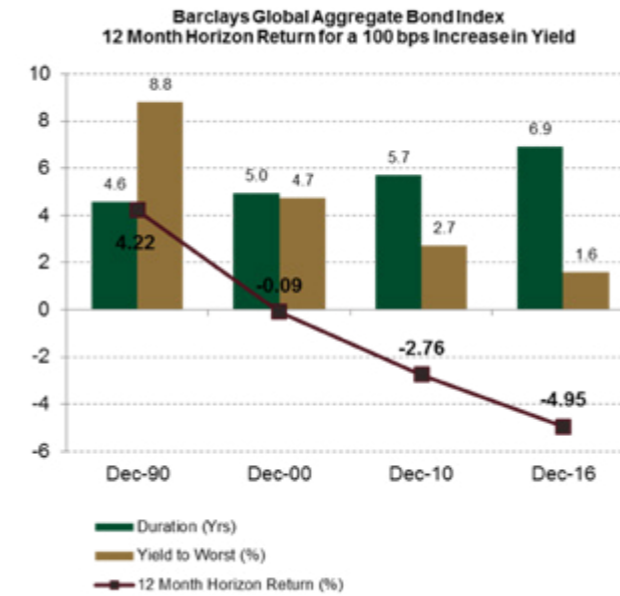
high levels of interest rate risk. What's more, there is the real possibility of an uptick in inflation across the globe as well as changes to easing policies by central banks this year. At this point, it is fair to assume the Federal Reserve will continue to hike rates. That makes interest rate sensitivity the key risk to the bond market.

Rate card - In fixed income, it can take a surprisingly small move in interest rates to have a large and lasting effect on a bond portfolio. Our analysis, below, shows that if interest rates rise by just 1% then the total returns delivered by the global bond market – in this case, represented by a popular bond index – would be expected to fall by 4.5%. The chart below illustrates the 12-month horizon return for the Bloomberg Barclays Global Aggregate Bond Index over the last two and a half decades for a 1% rise in interest rates. It shows growing sensitivity to changes in interest rates, commonly known as duration, and a plummeting yield. Is this a worst-of-both-worlds scenario?

Certainly, a market at risk of falling if interest rates go up that also offers declining compensation for that risk is not an ideal scenario in our view.

*The chart facing - Bloomberg Barclays Global Aggregate Index 12 Month Horizon Return for a 100 bps Increase*

How to manage this very real risk in such a difficult environment? - In our view, a number of things help: decades of experience of actively managing fixed income portfolios in challenging markets; making decisions that carefully balance the need for yield with duration risk – for example in the careful selection of longer dated credits; and a willingness to look at the full range of markets, sectors and securities available to a global fixed income portfolio manager – given that some markets are at greater risk of rising rates than others.



Source: Bloomberg, Barclays, Manulife Asset Management, December 31, 2016

At the time of writing we believe that a broadly defensive stance is a sensible approach – but within that, there are potential pockets of attractive opportunities available in certain riskier segments of fixed income. For example, bank loans, which have coupons that reset periodically and may offer protection against rate rises, unlike traditional fixed rate bonds by generating higher income as interest rates rise. And certain emerging markets, such as India and Indonesia have seemingly solid fundamentals and attractive openings.

Credit where it's due - In our view, the decisions behind sector and country selection, the rotating of capital through the areas best placed to deliver returns better than the market but without more risk, can be the largest single contributor of a global fund's outperformance. For over a year now we have seen volatility and significant performance deviations across sectors, credit qualities and industries.

Will anything change that? We believe that the Trump presidency, Brexit, rising political risk in Europe and recent developments in Japanese monetary policy suggest investors should steel themselves for more volatility and uncertainty – not less. It's a difficult world today. But, with the broadest possible investment universe, we believe that volatility and business cycles will always create opportunities to dynamically rotate the portfolio.

Liquidity, liquidity all around, but not a drop to drink?

Long-term investors seek to buy and sell the right assets at the right price.

There is no doubt in our mind that liquidity has generally declined in global bond markets. In our view it was not so long ago that banks used to 'warehouse' securities, holding onto them to create a pool of securities that could be used to benefit just about everyone in the system. Now, regulatory and commercial pressures have reduced the ability of banks to maintain such warehouses of securities, reducing this role to that of little more than a toll collector, meaning they act as an intermediary between buyers and sellers. Of course, that's an issue for fund management companies rather than their clients. Well-positioned fund managers would likely use their scale and skill to manage this risk with no or minimal impact on the professionals who buy their funds. But it is a risk that has increased, and it requires careful management and monitoring.

Common currency

Scouring the world for attractive and sensible investment opportunities requires exposure to multiple currencies. But the risk here is that, as with interest rate movements, small changes in currency markets can have large effects on the returns delivered by a basket of bonds, no matter how well chosen they are. Currency is not for the faint of heart and experience very strongly indicates that currency movements may be seen as an additional method of boosting the returns of a global bond portfolio rather than simply as an unhelpful risk that must be managed. Such an approach can also bring valuable diversification benefits.

Tying it together

Add all these parts together, and an investor in unconstrained global fixed income has the potential to realize benefits of increased returns in a low yield environment, diversification and protection in a rising rate environment, all in a risk profile consistent with traditional fixed income approaches. These are benefits that traditional fixed income benchmarks will likely no longer provide going forward, or stated differently, in a challenging fixed income environment, investors will increase their chances of "beating the bond market".

# OPPORTUNITIES FOR PRIVATE BANKING AND FAMILY OFFICE BUSINESS IN AFRICA

**ING Luxembourg** By Yves Ducaté Private Banker ING Bank

Since the financial crisis of 2008, the global banking environment as well as client behavior have changed significantly.

FATCA, CRS, BEPS and, in general, the willingness of states to combat tax fraud effectively have transformed the banking landscape and have, in particular, lead to the tightening of client eligibility criteria by financial institutions.

Bankers have been empowered in their relationship with their clients, and if some inconsistencies were revealed by a KYC (Know Your Customer) check (for example during a relationship review), the client was required to rectify the situation.

Moreover many countries have set up "special" procedures or have legislated in order to permit clients who failed to report income, to regularize their situation.

The enhancement of bank's due diligence requirements are felt most strongly in financial centers actively operating internationally, such as Switzerland, London and the Grand Duchy of Luxembourg, resulting for some clients in a lot of difficulties when collecting the documentation requested by their financial intermediary.

Additionally, some clients residing in non-participating countries of the future CRS (Standard for Automatic Exchange of Financial Account Information by OECD) were also surprised by their banker's premature requirement to provide the same documents justifying the compliance of their tax affairs as those required from residents of



Yves Ducaté  
ING Bank

participating countries of the OECD program. Some emerging countries understood the opportunities of this new environment, such as Morocco and Ivory Coast which have created the legal conditions (in 2014 and 2016, respectively) to enable any person being a resident in these countries to regularize their situation and thus breathe new life into their economy and add a certain modernity.

In Morocco, the "Contribution in Full Discharge of foreign assets" law helped bail out the State to the tune of more than € 250 million but has mostly helped to inject new capital into the economy and thereby boost investments in the country. From an individual perspective, this law has however created a real earthquake in wealthy Moroccans' habits who, accustomed to the highest level of discretion, found

themselves after regularization in an unprecedented situation: having to manage international patrimony in a fully open and transparent manner.

This new situation has created some surprises. Many Moroccans were faced with new and often complex situations, such as:

- Taking assets out, previously owned through a company, even offshore, could generate a tax cost in the foreign country but also in Morocco. However the "Contribution in Full Discharge" doesn't exempt future taxes such as capital gains, liquidation proceeds or others.
- Holding foreign patrimony can necessitate the requirement to meet certain reporting obligations in the country where the assets were located and may have tax implications such as wealth or inheritance tax.
- Foreign succession rules that may apply in some cases on the transfer of assets located abroad may be in contradiction with the wishes of the deceased and/or with the Moroccan law.
- Depending on the nature of the assets, reporting rules for the Moroccan authorities could be difficult to achieve.
- In many cases, the risk profile of the client's portfolio was not aligned with the client's expectations and management fees were higher than the average levels.

In short, new situations that required expertise hitherto non-existent in Morocco: i.e. international wealth engineering. Unfortunately, these visionary governments in search of modernity are still too rare in Africa, the ultimate emerging continent, where it is often difficult for an African resident entrepreneur to engage with an international bank.

Large international law firms or Corporate Finance and M&A (merging & acquisition) specialists realize this every day. Although some African businesses, often family ones, which by their activity, size or location are potential targets of Private Equity funds

on the lookout for businesses on the continent that are going to experience the greatest growth in the 21st century, it is often during the due diligence that the operation fails either because the African entrepreneur is poorly structured or because it is structured through a SPV (special purpose vehicle) derived from tax havens that are blacklisted in most Western states.

Yet these families are often in need of advice and support in order to prepare their company to cross borders. These groups have the financial means to expand but often ignore the tools available to be optimally structured, which is needed when becoming a multinational company.

The same is true regarding the private wealth of these families. Because of a lack of alternatives, a big portion of their personal assets is often included in the structure of the company. They neither have an overall view on it, nor a detailed or a structured one and they often ignore its importance and profile.

The new global transparency rules are an opportunity for these families and businesses to "clean" and structure their assets, which is the only solution if they wish to continue their international expansion and deal with partners who are very rigorous on new global rules.

But it is also an opportunity for Private Bankers and Family Offices to invest in these African countries where everything has to be done, at the dawn of a century that looks exceptional in terms of growth for this continent, cradle of Modern Man.

Yves Ducaté  
Private Banker  
African Markets



## Art On Board: Navigating the Risks

by Mike Taylor-West, La Playa: Insurance with Intelligence®  
and Stephen Meadowcroft, Gurr Johns Art Advisory



Yacht interiors really reflect the personalities of the owners and their families. The style and quality of yacht fitting today is almost on a level with that of the owners' opulent homes. Yachts also set the backdrop for art and sculpture that may also be enjoyed afloat. But how many owners actually take a planned approach to navigate the pitfalls and preserve the art for future generations?

**There are a number of important considerations in protecting these prized assets as you enjoy them on your yacht:**

### 1. INSURANCE

Historically, the focus for marine insurers has been Navigation risks and Fire - but actually the most frequent claims in the modern era are from Escape of Water after a failure in "hotel services"; the water supply to cabins for guests' use and enjoyment. Carpets, linings, soft furnishings, linen, fine art and sculpture are all casualties in these circumstances. Not all insurers have kept pace with the volume of art works kept on board - which can lead to gaps in cover where marine insurers don't have the true expertise to fully understand the art risk; and art insurers are not comfortable insuring such significant values of art afloat. In effect a gap for yacht owning clients! This is why a specialist broker is essential.

### 2. INSTALLATION

Installation on board requires careful planning - much more so than on dry land. Ideally everything should be secured so that it cannot move, slide, slip (or fall!) with the movement of the boat. However, whilst there are many solutions, those which secure the item the best are not always the best for the work of art itself.

Pictures should be hung using marine fittings which effectively screw the pictures to the bulkheads. Most yacht management companies or fine art shippers will be able to provide these. These are specifically designed for the bulkheads on yachts which are typically thinner than, and not as strong as, the walls of a traditional building.

With regards to furniture, sculptures and large works of art, these should be secured. There are various solutions to this, depending on aesthetics and also the nature of the item itself. Altering pieces to accommodate fixings is not ideal, so it may be best to consult a conservator. They will draw up plans for the best way to install, ensuring no damage occurs. One thing not to be overlooked, particularly in the case of sculpture and design objects, is weight restriction.

### 3. TRANSIT AND LOADING

Complications occur with heavy and large items, and it's not just a case of getting them on board, but getting them to the marina where the yacht is moored. Large and heavy artworks require large and heavy trucks to transport them - which are often not suited to small marinas and their access roads. In many places (for example the South of France and Monaco) there are prohibitive restrictions on large vehicles, particularly in the summer months when the French and Monegasque authorities are less inclined to close roads and villages to allow these trucks through.

### 4. SECURITY

Wherever you display your art, security is paramount. When displaying art on yachts, professional security consultation should be sought. It's vital your protection reflects the value of your collection.



### 5. CLIMATE RISKS

It's safe to assume that a yacht will spend most of its time in sunnier climates and therefore the appropriate climate controls should be in place. The optimum temperature is within 2 degrees of 20 Celsius, and perhaps more importantly, the preferred humidity is 55% (or within 5% of this).

Sunlight itself is not good for works of art, which can become sun damaged. Works on paper, including photographs, are perhaps the most vulnerable, and should all be fitted with special anti-reflective glass or UV Optima Perspex. Art works should be lit artificially, but be aware that there are greater restrictions on what you can achieve on board, with smaller spaces and less ceiling height.

If you are installing pieces outside the cabin, on deck, obviously these are going to be exposed to the sea air which will cause a deterioration in condition over time. Ideally fine art should only be displayed in areas where the climate can be controlled and the elements shut out.

### 6. CUSTOMS

Your team should have a customs declaration with details of the works on board. When sailing between jurisdictions you don't want to inadvertently and illegally export artwork or trigger a tax liability. These situations often result in lengthy periods of time where the vessel might be detained by fiscal or customs authorities, ultimately leaving owners facing fines or prosecution.

A proactive "Art on Board" plan should be considered, including an art manifest and declaration, which can be kept by the Captain, to provide some peace of mind.

This is a complex area that is not only determined by the cruising waters you are in, but also the vessel's flag, and where the art was purchased and VAT or equivalents settled.



### 7. WHICH ART TO SELECT FOR DISPLAY ON YOUR YACHT

If you are considering buying pieces with the intention of displaying them on board a yacht it is advisable to consult specialist advice prior to completing the purchase.

Some clients change the art work they display on their yachts with the seasons, which is trickier and more expensive - but achievable with careful planning. Other clients prefer to avoid the risks entirely. Some choose to display less expensive pieces onboard, or commission copies and leave the originals hanging in their homes. Whatever the aim is, planning is key and specialist advice should be sought from the outset.

**We hope the above provides food for thought for you and your captain. If you'd like advice on insuring your art and your yacht, contact Mike Taylor-West at [mike.taylorwest@laplayainsurance.com](mailto:mike.taylorwest@laplayainsurance.com) or on +44 (0) 203 290 1774.**

**LA PLAYA** La Playa Private Client is a specialist insurance broker for high net worth individuals and families, with in-house art and yacht insurance practices. With decades of experience in our high calibre team, we can provide seamless protection across property, collections, vehicles and vessels. La Playa offers boutique-style personal service, but with international capability from its offices in New York and London.

**GURR JOHNS** Gurr Johns has advised various clients on purchases specifically with the intention of installing them on yachts. We have also assisted on various installation projects, ranging from simply re-glazing Old Master drawings, the hanging of large works of art to the adaption and installation of 14th century sculptures. For these projects we have worked closely with yacht management firms, fine art shippers and technicians, as well as seeking advice from restorers and conservators.

**GURR JOHNS**  
est.1914

# SEVEN REASONS TO CHOOSE MALTA FOR ESTATE PLANNING

Although Malta law is based on civil law, the regulator for financial services, the MFSA, has successfully managed to accommodate trust law, which is more typical of common law jurisdictions. When this is coupled with Malta's highly efficient tax regime, both in estate planning and beyond, it is no surprise that this sector continues to attract Maltese citizens and foreign investors, who seek secure and beneficial mechanisms for managing and preserving their assets. There are at least 7 prominent reasons – among which may be mentioned flexibility, cost efficiency and security – that explain Malta's attractiveness for estate planning.

## 1. Sound legal basis

Compliant with the Hague Convention, Malta's Trusts and Trustees Act lays down strict regulations with regards to authorising and supervising trustees, giving beneficiaries peace of mind that their assets will be properly administered. This is ensured by a thorough examination of the trustees' activities provided by the Malta Financial Services Authority (MFSA), the supervisory body. Those clients that are reluctant to hand over control of their assets to a trustee may further appoint a trusted party as protector, an additional oversight role.

## 2. Time-efficient trust set up

Trust creation can be as efficient, as one may determine, with drafting being at the core of the initial phase. It can be set up upon the settlement and signing of a deed, which can be achieved within just four working days. Contrary to the practice in other jurisdictions, Maltese trusts do not need to be registered, and therefore do not incur any registration fees or bureaucratic delays.

## 3. Flexible trust management

If the terms of the trust so allow, additional beneficiaries may be added at any time, provided that they are clearly identifiable. The beneficiary may also, via a written instrument, manage his/her



Dr Priscilla Mifsud Parker  
Chetcuti Cauchi Advocates

interest in any manner, including the appointment of managers for different assets. Establishing a private trust company can further help reach more flexibility in exercising control over a family trust.

## 4. Thoughtful succession planning

Malta trusts may be set up during the settlor's life or upon his/her death, and allow a completely organised manner, amount and timing of the distribution of a legacy. Given that, they have been used extensively for the purposes of education, maintenance and care of the family members, as well as for preserving family holdings in businesses and art collections.

## 5. Asset protection through foundations

A foundation under Maltese law is a legal person that may be considered as a combination of elements of both companies and trusts. Foundations may be set up either for a specific purpose, including profit-seeking ventures, or for the benefit of a named person or group of persons. Notably, a foundation possesses a separate legal personality and is thus ideal for asset protection, particularly for real estate



holding. Maltese foundations may also constitute an alternative to trusts, especially when involving jurisdictions that do not recognise trust laws.

## 6. Favourable tax treatment

Both trusts and foundations can apply to be treated as a Maltese company for taxation purposes. From a tax perspective, such a trust or foundation would be taxed as though it were a Malta-based company, thus qualifying for certain benefits, including tax exemptions based on participating holdings in subsidiaries both in Malta and overseas, as well as tax refunds. A trust can also be a transparent vehicle for tax purposes and is not liable to tax, where the beneficiaries are not Malta tax residents and the assets are not located in Malta.

## 7. Safe jurisdiction

The Maltese trust law, while being straightforward and beneficial in its set up, is founded upon mechanisms that ensure the safety and security of assets held in trust. In the unlikely event of a trustee facing bankruptcy or creditor claims, client assets are by law protected from the asset valuation of the trustee itself. Trustees are bound by law to keep accurate accounts and records of their trusteeship

and shall disclose these records to the beneficiary at his/her request. Fraudulent or grossly negligent acts by the trustee are also specific offences in the Trusts and Trustees Act resulting in hefty financial penalties and/or loss of license.

To sum up, the hybrid nature of the Maltese legal system allows Maltese trusts and foundations to facilitate estate planning, enabling flexible organisation of wealth and beneficial tax planning.

Dr Priscilla Mifsud Parker is the Technical Committee Chairperson of STEP Malta, Director of Claris Capital Ltd and Senior Partner in charge of corporate & trust services of Chetcuti Cauchi Advocates.

Chetcuti Cauchi Advocates is a European law and professional services firm, with offices in Malta, Cyprus, London, Zurich and Hong Kong, advising high net worth international families and their businesses on residency & citizenship, wealth management, corporate structures, acquisition of property, financial services and fintech.

Contact: [pmp@ccllex.com](mailto:pmp@ccllex.com)  
[www.ccllex.com/priscilla-mifsud-parker](http://www.ccllex.com/priscilla-mifsud-parker)

# MADOFF

# WHISTLEBLOWER

## The Bernie Madoff Ponzi Scheme

### WHISTELBLOWER FRANK CASEY

At least 339 hedge funds feeding victims from over 40 countries to Madoff.

Bernard Madoff was born on April 29, 1938, in Queens, New York. He used \$5,000 earned from a lifeguarding job to found his investment company. Madoff's built up his firm and before his incarceration, his estimated net worth is \$17 billion. He is the former non-executive chairman of the NASDAQ stock market and the mind behind the largest Ponzi scheme in history.

#### THE WHISTLEBLOWER

Frank Casey is a former US Airborne Ranger Infantry Captain with 39-years expertise in Corporate Risk Management, Alternative Investments-Hedge Funds, Private Equity, Business Development and Due Diligence. Frank Casey stresses transparency, liquidity, client control, and never compromising absolute honesty in every representation and execution.

The Madoff case began thirteen years ago when Frank Casey and Harry Markopolos knew that returns reported by investment manager and broker Madoff were fraudulent. They set about documenting a case against Madoff using math and mosaic intelligence. They warned the SEC about Madoff over and over again in the 8.5-year period. Submission and after submission fell on deaf ears, and 29-Red Flags ignored. Through the SEC's complacency Madoff's Ponzi Scheme was allowed to grow tenfold, to over \$50 billion. Despite these many setbacks, the group persisted, not only because it was

wrong but because it went against their ex-military officers' creed of "Duty, Honour and Country."

Had the SEC been paying attention to Casey and the team, investors would not have suffered \$Billions in losses. Casey said, "If this fraud grew large enough, it would bring down the U.S. financial system and the credibility of our regulatory system." Regulators at the SEC, who were mostly attorneys, could never grasp or understand the fraud. The fraud succeeded not only because of the SEC's but also because a number of banks and wealth-managers were wilfully blind, this in understandable as there were making money from Madoff's feeder funds. While there are many victims of Bernie Madoff's fraudulent activity, but there is another interesting story to this case, that of a small and secretive group, who became known as "The Fox Hounds." For almost a decade, the Fox Hounds fought with the SEC to bring down Madoff, supplying it with a mountain of evidence that proved beyond doubt that Madoff was running his Ponzi scheme.

Frank Casey, a Fox Hound member, then an options specialist working at a firm named Rampart, was trying to convince pension funds to invest in a Rampart structured financial product wrapping hedge funds to generate about 12% per annum. Thierry de la Villehuchet, the co-founder and CEO of another hedge funds specialist firm, Access International, explained to Casey

that his fund had invested more than \$300 million with a manager few people even knew was in this business. This manager demanded complete privacy, so much so that anyone who admitted they have invested with him risked having all their money returned – but his economic performance was astonishing.

Unbelievable, month after month, no matter how the market performed, he made money using what is known as a split-strike conversion; Madoff generated 1% on the total investment per month like clockwork! Casey finally learned the name of the manager, Bernie Madoff. The same Bernie Madoff whose brokerage firm bearing his name is a well-known market-maker and founder and the former Chairman of NASDAQ, one of the most respected, even beloved, men on Wall Street.

Madoff was also running one of the largest and arguably most successful money management firms in the world. Casey is impressed, but de la Villehuchet leads him to believe that if Rampart can devise a similar strategy, it could get a portion of Access' \$300 million investment. Casey returned to Rampart with financial data outlining Madoff's strategy and showed it to Harry Markopolos, a Chartered Financial Analyst who understood the choreography of numbers. Frank asked Harry to create an investment product that could compete with Madoff. Harry

took a look at Madoff's monthly returns, then looked at Madoff's investment strategy, within five minutes he said, "This is a fraud. Maybe even a Ponzi scheme." And then it took him an additional four hours to prove that Madoff was a complete fraud.

As the team gathers more information about Madoff, they realize there are only two possible ways Madoff could be so successful: He was front running, meaning he was using information from his brokerage operation to illegally manipulate the market or secondly, he was running possibly the largest Ponzi scheme in history. Most people who knew Bernie Madoff would never have considered that Bernard Madoff, a financial genius, a humanitarian, a man who contributed millions to charity, could be a crook of epic proportions. In addition to Frank Casey, Harry drew into the chase his protégé, the equally intense Neil Chelo, a young member of several of the most prestigious financial organizations, who sat directly across the desk from him at Rampart. The three colleagues began by gathering as much information about Madoff's operation as possible.

The numbers continued to get bigger and bigger: Seven-billion, Ten-billion. Incredibly, Bernie Madoff was secretly running the largest hedge fund on Wall Street. His business was completely unregulated. Initially, Harry believed Madoff was either front running or engaged in a Ponzi scheme, but leaning toward the latter theory. Neil and Frank weren't so sure, believing he was front-running order flow. After all, who would believe such a highly respected professional of Wall Street would be running a Ponzi scheme. Finally, in May of 2000, the Team put together their first submission to the SEC, a document outlining the reasons Madoff couldn't possibly be legitimate. Among the twelve red flags listed that were in order to be following this investment strategy Madoff would need to have access to about \$7 billion in options – and he was supposedly trading his options on the Chicago Board of Options exchange -- which had less than \$1 billion options available. Madoff had up to Seven billion of investors' money in the strategy, and he was growing larger by the day.

Early in 2001 Mike Ocrant an investigative reporter for the respected hedge fund journal Mar Hedge became the fourth member of this group and began working on a story about Madoff's secret investment fund. He couldn't believe what he found. Eventually, he called Madoff and requested an interview. Madoff shocked him by suggesting he come right over to the office. He found Madoff to be charming and direct, he answered every question, and Ocrant left his office believing there had to be some mistake. Eventually his story about Madoff's secret investment fund and the questions that couldn't be answered – ran in a Wall Street trade newspaper. It should have destroyed Madoff –but no one even blinked. A week later, a much more widely circulated Barron's picked up the story.

The team was certain this was the end of Madoff. The articles raised too many questions and should have brought down his empire. However, no one paid any attention to them. It was becoming clear that Bernie was too big to be brought down.

The Fox Hounds began collecting as much information as possible about Madoff's money management business. Madoff had warned his investors not to talk about the fund. For good reason, Harry had discovered:



Whistleblower Frank Casey

## MADOFF GUILTY OF 11 FELONY COUNTS sentenced to 150 years in prison.

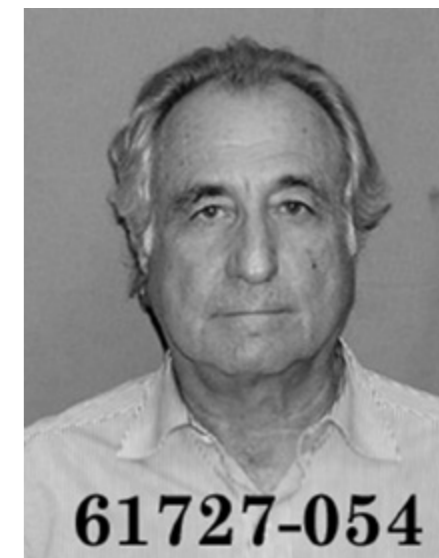
Madoff was paying them far greater returns than any other firm, returns far beyond what might be expected.

In 2002, Harry had finally created a product that could generate returns that would rival Madoff – but with much greater risk. Rampart and Access agreed jointly to market the product and Harry went on a sales trip to Europe with Thierry de la Villehuchet. They met with 20 private banks, 14 of them admitted they 'had' Madoff, and each of those 14 confidently explained to Harry that although Madoff was no longer accepting new money, they had a special arrangement with him, and he accepted their money, and only their money.

Later, Frank asked Thierry de la Villehuchet bluntly what he would do when it was proven Madoff was a fraud, de la Villehuchet replied that it was impossible, he had done his due diligence, but admitted that if he was wrong then he "was a dead man." What was astonishing to The Fox Hounds was the immense size of this scam. At the 1999 investigation start, they estimated the fraud to be as much as \$5 billion, but what they learned caused them to reassess that figure. Way upwards. Madoff's tentacles reached deeply into Europe and even South America, and estimates of the fraud continued to grow to \$20, then \$30 billion dollars. The team was tracking 30 Madoff feeder funds. Only after Madoff surrendered was it revealed there were probably at least 339 hedge funds feeding victims from over 40 countries to Madoff.

During the next few years Harry, with the assistance of his team, made four more submissions to the SEC, eventually there would be a total of six, each one of them carefully listing the reasons Bernie Madoff was running the largest Ponzi scheme in history. But no one would listen, and the scam imploded north of \$50 Billion. In 2009, Madoff pleaded guilty to 11-felony counts securities fraud and was sentenced to 150 years in prison.

For More Information see "Scam of the Century" by CNBC, Frontline's "The Madoff Affair," "No One Would Listen" by Harry Markopolos-Wiley Publishing, the "Chasing Madoff" documentary available "On Demand."



In 2009 Bernie Madoff pleaded guilty to 11 felony counts securities fraud and was sentenced to 150 years in prison



Charles Ponzi, was an Italian businessman and con artist in the U.S. and Canada, in the early 1920s he promised clients a 50% profit within 45 days, or 100-% profit within 90 days, In reality, Ponzi was paying early investors using the investments of later investors. This type of scheme is now known as a "Ponzi scheme". His scheme ran for over a year before it collapsed, costing his "investors" \$20 million.





## MURKY WATERS OR VIRGIN SEAS?

### INVESTING IN BLOCKCHAIN AND CRYPTOCURRENCIES IN 2018

#### Why is everybody talking about Blockchain?

Pivotal technologies like the wheel, the printing press, gunpowder, the internal combustion engine and the internet have been key drivers of social change. The Blockchain evangelists would have us believe that humanity is now at such a milestone. Predictions range from 'cheaper transaction fees' to the 'end of central governance'. Only time will tell. The technology remains in its infancy but is advancing

rapidly as organisations the world over scramble to figure out the implications for their existing business models.

#### What is it?

A now famous 2008 whitepaper titled "Bitcoin; a peer to peer electronic cash system" solved a complex problem: if you don't have a central regulator, how does everyone agree who owns what and where is that recorded? Through a mixture of encryption, consensus algorithms, a careful balance of financial

incentives and the distribution of that record on multiple computers simultaneously, the writer(s) proposed a way to maintain a ledger (like an excel spreadsheet) that was immutable and accountable. Each time the state of that ledger was agreed a 'block' was created, hence the term 'blockchain'.

In 2015, a young Canadian programmer named Vitalik Buterin took the blockchain concept a step further. Ethereum introduced a programming language which meant

that, rather than just keeping a ledger of transactions, the Ethereum blockchain could be used to create applications which did more things. This is where it gets interesting. The Ethereum project arguably created the first decentralised computer, thereby opening up a new door of possibilities and begging the question: If we can have a currency without a central bank, what else does it make sense to decentralise?

Ethereum also introduced the means for third parties to create and manage secondary digital tokens (built on top of the Ethereum network) efficiently and without the need to build their own blockchains, and so created a means to raise capital efficiently and seemingly free from regulation: The ICO.

#### Secondary Tokens and The ICO boom

Start-up projects of varying quality jumped on this as a means of raising capital in 2016 and 2017. In an ICO, the issuer typically sells tokens whose function is theoretically to access some future product or service that the issuer is building, the idea is that the value of the tokens will increase as the product is launched and its usage increases, benefiting those early adopters (ICO participants).

These tokens do not typically carry voting nor dividend nor rights of recourse against the issuer. From a regulatory perspective, the objective of token sales

has historically been to avoid classification as security. This is a fluid space and regulators the world over are wading in, taking varied positions on the balance between consumer protection and stifling innovation. Expect to see more security tokens in 2018, tradeable on regulated exchanges, as entrepreneurs look to tokenise everything from property interests to royalty income.

Investing in the future of Blockchain Cryptocurrencies and Bitcoin. Firstly, let's distinguish between crypto-currencies and tokens both regarding utility and regulation. Currencies such as Bitcoin seek to be a store of value in their bid for adoption. Eye-watering volatility aside, the long-term, widespread adoption of one or more of these currencies now seems inevitable.

There are some established exchanges that allow you to buy major cryptocurrencies. They are subject to daily limits and larger trades can move the market price quite significantly. Large buyers and sellers tend to operate via "over the counter" brokers, who can help investors navigate the complexities of this new asset class, de-risk the transaction and provide access to the otherwise anonymous large holders of these assets.

ICOs. You may come across an opportunity to invest early stage before tokens are issued. These are start-ups in an uncertain space, so all the usual investment warnings

apply and then some. The difference between a blockchain project pre-ICO and the traditional start-up model, however, is increased liquidity. Increased regulation is putting more pressure on this early stage of investment as pre-selling tokens before the ICO to raise money is more likely to result in the token being categorised as a security. This is leading a trend back towards more traditional models, including restricted exempt security issues and convertible debt, in the pre-ICO investment stages. Accredited investors and VC's have therefore regained their advantage over retail investors, attracting a new class of investor to the space.

#### Conclusion

This genie is not going back in the bottle and both Blockchain and crypto-currencies are here to stay. As decentralized computing systems become more advanced, we can expect their use to spread and the landscape to change. Investing in this emergent asset class carries substantial new risks, however, and should be approached with due caution.

Gavin Cunningham is a former UK corporate lawyer, has managed family offices in the UK and North America and is now a principal at Constellation, a bespoke advisory and OTC brokerage service for family offices and high net worth investors in the crypto space.

[gsc@constellationgroup.io](mailto:gsc@constellationgroup.io)

# BUYING OR SELLING

## A YACHT IN TODAY'S MARKET



by Douglas McFarlane

So you've decided to take the plunge. Perhaps this is your first time, or you may want a change from how you attempted it before. This time you want to make it happen. First thing is to ensure it's an enjoyable experience. A yacht is about fun and freedom, making a decision in your best mood is essential and you want everyone involved to have a great experience.

### Getting Started

Where to start is essential and I'd always recommend working with a buyers broker like myself. Someone who doesn't have a vested interest in getting particular yachts from their portfolio off the market. You want the yacht that suits your particular requirements, not that of the broker.

A good broker will help tease out your specific requirements and help ask the right questions for you to consider. The marketplace is vast and varied and if you haven't had a good look at what's available, that's the first step.

### Exterior selection

Try looking at several different exterior styles and

sized yachts at different budget points. This will help you look at the aesthetics of what pleases you. You want to be able to look at your yacht and be really proud and delighted every time you see it, so it's best you get an idea of what perfect looks like to you. Is it the sleek lines, the straight bow, the shorter length, lower height that appeals to you? Carefully look at each component of the exterior and imagine driving to the marina and seeing her there. Your yacht. Does she look how you want her to?

### Choosing your interior

Next up is the interiors. After you've got a sense of exterior shape, you need to start investing the time and effort in understanding the style, space and light that suits you and more importantly your family. You aren't going to be there alone, so getting everyone's buy-in is essential to ensure they have a space for their needs.

Don't worry if you're not experienced in interior design, it's how you feel that's key. Is it too bright or dark, does it look too contemporary or not modern enough? Are the colours to your liking? Interiors can always be changed though it does take time and money, and

most of the time yacht owners don't want to wait after they've spent their hard-earned cash.

If you have time to wait, perhaps start considering a new build. Some new yachts are ready to buy, but most of the time you'll need to wait a few years. You'll have the pleasure of working from the start and helping the architects and designers incorporate your features, or changes and character as the build progresses. You can even work with top design companies and have the entire yacht concept to your particular tastes.

The critical thing is to embrace and enjoy the experience from beginning to end, and this will lead to many happy years onboard.

### Selling A Yacht

I'm always keen to look at a different way to market a yacht to get sales for clients. There are many ways an owner can consider marketing, each of them with a different price point.

### Boat Shows

At the top of the tree, there are the touring boat shows around the world. Cost of mooring, fuel to get there, entry into the show, cost of entertaining guests and additional marketing requirements around the event, all add up. If the yacht doesn't sell, it's off to the next one. I've seen yachts taking years to sell and presented to the boat shows every year and still not selling. Expect to budget over £50k each boat show for a larger yacht.

### Magazine Advertising

Next to consider is taking out an advert in Boat International, SuperYacht World or Yacht Investor. These magazines can also do a feature on your yacht to compliment the advert. Their online site can also feature your yacht as a banner ad. Working with a broker, these costs can be considerably less as often we have a relationship with editorial teams. Somewhere around £20k-£30k will be needed for full page adverts in prime position.

### 360 Graphic Fly Through

One of the latest ways to help potential owners to get a better feel of the yacht is by having a 360 view. One of the best I've seen is where the camera scans

each room and the image is stitched together at a 4K resolution. This allows a walkthrough to take place and zooming in on any feature for more detail. Using low-cost Google cardboard 3D glasses also brings it life even more. Pricing is likely to be around £10k-£15k for a quality job.

### TV Channels

Producing content for your yacht for showcasing on luxury channels can help build awareness and bring attention to the yacht in a different setting. Often watching on a big screen at home brings the experience to life in a way that magazine and other advertising are unable to do. Short profiles can be done at a reasonable price and certainly under £10k.

### Websites

Creating a website specifically for your yacht is a great idea. You're able to publish everything about the yacht including crew details, and then add plenty of your favourite images taken on your iPhone. Add a little footage from a drone, and you'll be giving your visitors some treats on the eye. The cost of creating websites has reduced significantly and can generally be pulled together for under £5k.

### Social Media

By far the cheapest and sometimes more effective is social media. Whether it's a blog like this on LinkedIn, sharing a picture on Instagram or providing updates on Twitter, costs next to nothing. There are tools you can use to automate and schedule the posts to target potential owners in different time zones too. Tracking progress, changing messages, trying different posts and generally spending focused time and effort on selling can provide rewards. These types of packages can often be a few thousand over a year.

Selling a yacht takes time. Choosing how to market her takes careful selection too. Working with a broker to choose the most cost-effective approach relative to the time required to sell is your best option.

DOUGLAS MCFARLANE IS CEO OF LOMOND YACHTS A YACHT BROKER BASED IN LONDON AND OPERATING GLOBALLY.

[www.lomondyachts.com](http://www.lomondyachts.com)



Taylor Hampton are MARA registered Migration Agents and Australian Immigration Advisors dealing with all types of Australian Visa Applications

- Skilled Migration Visas
- Partner Visas
- Employer Sponsored Visa
- Resident Return Visas
- Working Holiday Visas
- Complex & Difficult Visa Applications

Taylor Hampton Solicitors Limited  
218 Strand, London WC2R 1AT, London United Kingdom  
Phone: +44 (0) 20 7427 5290 | E-mail: [enquiries@emigrate-to-australia.co.uk](mailto:enquiries@emigrate-to-australia.co.uk)  
Website: [www.emigrate-to-australia.co.uk](http://www.emigrate-to-australia.co.uk) | Website : [www.taylorhampton.co.uk](http://www.taylorhampton.co.uk)



The difference is to be sharper than anyone else.

**LÜRSEN**  
The difference.

# GUERNSEY



## FAMILY OFFICES

### AT HOME IN GUERNSEY

BY Fiona Le Poidevin

Guernsey's finance industry is well placed to provide the widest scope of family office (FO) services. It's regarded as a jurisdiction of choice for many wealth management and investment funds. The island's providers combine traditional values with modern technology to assist clients to manage their wealth more effectively, between locations and over generations.

The Island's proximity to the City of London and mainland Europe, as well as a convenient time zone, add to the Island's appeal. As does the fact that the Island boasts 150 licensed fiduciaries, ranging from multinational organisations to independent and boutique operations, all specialising in the preservation of individual and family wealth and the inherently varied nature of FO structures. FOs are equally put at ease because of Guernsey's world-leading standards of

regulation. In 2011, the IMF reported Guernsey as being compliant or largely compliant with 47 out of 49 of the Financial Action Task Force (FATF) recommendations on Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) – the highest standard of any jurisdiction so far assessed. Guernsey was also one of the first places in the world to regulate trust and corporate services providers.

#### FO services in Guernsey

Guernsey providers are well versed in the traditional single-family office (SFO) concept of providing management services in relation to household staff, travel arrangements, property, payroll, investment programmes, philanthropy coordination and succession planning, as well as some degree of involvement with a core family operating business. However, SFOs are



also now expanding into Multi-Family Office (MFO) operations, an increasingly common trend being seen in Guernsey over recent years. The MFO can still offer specialised services to a given family but will do so on a non-exclusive basis and will provide services to one or more other families (who may even be connected). This arrangement can deliver economies of scale and opens up the world of the family office, which was traditionally only available to the super wealthy, to those with smaller fortunes or an appetite for more limited and cost-effective family office services.

#### Guernsey structures

Guernsey's corporate, trust, foundation and limited partnership structures can be utilised to hold assets of all types across the globe. In addition, legislation enabling the establishment of limited liability partnerships under Guernsey law was introduced in May 2014. Guernsey is perhaps most well-known for pioneering the Protected Cell Company (PCC) concept more than 15 years ago. The PCC is now used across investment fund platforms, captive insurance vehicles and structured products while one of the most innovative applications of the tool is in the field of family wealth planning. Along with the utilisation of

Incorporated Cell Companies (ICCs), these private cell structures can be used to ring-fence different assets for different strands of a particular family or simply for segregation and risk management purposes. The end of last year saw the establishment of 2-REG, the Guernsey-based Channel Islands aircraft registry, which with the nationality mark of '2' followed by four letters, allows for particularly attractive registration names, such as 2-COOL or 2-PLAY. This development followed the creation of the world's first-image rights law and register just over 18 months ago which will allow celebrities and corporates to protect and exploit their image and brand.

These are just a few of the many advantages offered by Guernsey as it continues to demonstrate its capabilities to evolve its structures and products to the needs of international clients and to develop solution-based initiatives in partnership with the financial services industry.

Fiona Le Poidevin is the Chief Executive of Guernsey Finance – the promotional agency for the Island's finance industry.

[www.guernseyfinance.com](http://www.guernseyfinance.com)



Jan van Bueren  
& Thomas Ming

## MULTI-FAMILY OFFICE SELECTION

by Jan van Bueren & Thomas Ming

Family offices are 'in fashion.' A growing number of wealthy families are considering the use of a multi-family office, and an ever-increasing number of companies are starting to offer family office services.

A family office is a company that supports wealthy families with the management, organisation and maintenance of their wealth. Although there is no set minimum, the use of a multi-family office (MFO) is mostly considered by families with wealth above twenty-five million US dollars. As wealth keeps increasing worldwide, the rise of the family office model is a natural development: beyond a certain amount of wealth, (financial) needs grow beyond pure private banking services, and complementing typical banking services with those offered by MFOs makes sense. Where most (private) banks advertise, are well-recognised and have offices on the 'high street' of cities such as Zurich, London, New York and Singapore, most MFOs are defined by their discretion. Also, as only

a relatively small number of people use family offices, it is not an easy task for a family to find and select the most suitable provider. That said, as a family's wealth and future well-being strongly depend on the choice of the right provider, the selection process should be taken very seriously.

### NO TWO MULTI-FAMILY OFFICES ARE THE SAME

Within the MFO universe there is no 'one size fits all' solution for every family. Most MFOs offer tailor-made and completely incomparable services. Some of the providers are specialised in philanthropic or wealth planning services whilst others focus more on lifestyle management or administrative services in order to improve the family's quality of life. This different angle is often related to the origin of the family office and the experience/background of its founders; indeed, whether the founder is a lawyer or a former banker will significantly impact the scope of his/her offering. Even when MFOs mainly offer asset management

services, significant differences may occur between the providers. There can, for example, be a focus on certain types of investment, on pure asset allocation or on reporting and consolidation services. The type of client focused on, the size of the family's wealth or the region out of which clients are serviced may also vary widely from one provider to another.

An additional reason MFOs are so diverse is the fact that, with the exception of the United States and Luxembourg, they are not regulated in most jurisdictions – even though the asset management component of their activities is usually regulated by the financial supervisory authorities. As MFO services are offered to the public without a licensing procedure, the result is a very different offering with respect to both the actual services provided and the quality of those services.

### HOW TO SELECT A MULTI-FAMILY OFFICE

The preservation and protection of wealth are often the main drivers behind the use of family office services. This is why the location of the actual office should lie at the heart of the selection process. An MFO should preferably be located in a politically and financially stable jurisdiction such as Switzerland, the United Kingdom or Luxembourg, in order to safeguard the wealth and wellbeing of the family under all circumstances. A family office which is located in the home country of the family can seem like the right fit, but might also turn out to be the Achilles' heel of the whole set-up at precisely the moment when stability and protection are what the family needs. In practice, it is this kind of consideration which is often overseen or ignored by families, either because they have not been properly advised or because they simply consider a set-up in their home country as being more practical.

### WHAT AND WHY?

Apart from location, the type of services sought by the family ('what') is another important factor to take into account during the selection process, as most MFOs tend to focus on a specific selection of services, rather than on a wide array of them. As most providers cannot be compared in any way, it is also important that the family stakeholders establish which goals they actually seek to fulfil by hiring a family office ('why'). A family office may focus on giving the family insight

into its financial situation, for example by offering consolidated reporting and acting as the central point of contact with banks, or it can act as the coordinator of external advisors like trustees, lawyers, tax advisors and real estate agents. But it may also specialise in more practical and operational support, coordinating household staff, acting as a private secretary and making travel arrangements for the family.

### TAKING THE PROCESS SERIOUSLY

It is advisable to visit and analyse several providers before choosing an MFO. Which questions to ask when visiting different providers, what type of MFOs exist and what type of services they offer is important information that can take time to gather.

Where the primary motivation for a family in searching for an MFO is that they no longer want to deal with numerous banks and a large number of (financial) intermediaries themselves, our experience has shown that families often do not know their own needs that well, or are not aware of what kind of services are offered by different MFOs. They, therefore, struggle to find the 'right fit,' i.e. the appropriate MFO that will offer them the best-suited services.

As the MFO market is far from transparent and it is not easy to compare different providers, families often start their search by being referred by friends to the MFO they are using. Here it is often forgotten that different families have different goals and needs for MFO services, and that 'one size fits all' does not exist in the MFO industry. Also, as for the choice of a private banker, the connection one has with the MFO staff is crucially important, as they become a part of the family's life and usually remain in place for generations. If only for this reason it is advisable to visit and analyse several providers before deciding which MFO provides the better match.

**FOSS Family Office Services Switzerland (FOSS), is part of the wealth planning services of Union Bancaire Privée, UBP SA in Switzerland. FOSS is a web platform developed by Jan van Bueren & Thomas Ming specifically to support families with the selection of a multi-family office.**

[www.switzerland-family-office.com](http://www.switzerland-family-office.com)



# DEBRETT'S

## SUCCESSION AND THE NEXT GENERATION

A 20-year study of over 3,000 high net worth families revealed that 70% of family wealth is lost in the transfer from first to second generation, with more than 90% of the original family assets lost in the transfer from second to third (The Williams Group, 2013). According to Forbes, this is an international phenomenon.

What is the reason for this near-destruction of capital in three generations? Mismanagement by the elder generation, or squandering by the younger generation? And how can we prevent the loss and instead promote the proliferation of assets over generations?

### The blame game

When interviewed, nearly 80% of the older generation were quick to argue that 'the next generation is not financially responsible enough to handle inheritance.' If we take this argument to be true, this implies that the younger generation is less capable of, less prepared to, or less interested in managing family wealth – or all of the above. However, 55% of the younger generation felt that their elders were not forthcoming with financial information.

And yet, the younger generation is more inclined to consider themselves stewards of their family's wealth, preserving it and helping provide for future generations. In fact, according to a study by Morgan Stanley and Campden Wealth, the younger family members (aged 30 and under) had the higher sense of duty compared with their 30-40-year-old counterparts. That same study revealed that more than 40% of family offices expect a generational transition within the next ten years, and around 70% in the next 15 years.

### Planning for success in succession

As in any business, the transfer of knowledge and decision-making powers to the next in line is a major event which requires planning and consideration. A transition should happen over a defined timeframe and with open communication amongst the entire team -- not at the moment the leader decides to leave.



Renée Kuo

### Managing Director: Debrett's

Many successful companies have failed to consider CEO succession plans, leaving long-lasting, negative impacts on the business and working relations. One study calculates that large public companies with no CEO succession plan forgo \$1.8 billion in shareholder value. With a family office, not only is capital at risk, but the conflict and rifts in relationships are often deeper and longer-lasting – and unavoidable at holidays and family gatherings!

### Preparing your heirs

According to The Williams Group study, 25% of lost wealth between generations was attributed to failure by the older generation to prepare their heirs. Preparation can be achieved through education: teaching children at a young age how to manage money; helping teenagers with their first bank and credit card accounts; involving young adults in conversation about family wealth and gradually introducing them to the business.

The younger generation can also do their part in educating themselves. Informally, this may be done through online research, managing a personal online trading portfolio, or participating in short programmes led by investment advisors. The vast majority are pursuing university degrees, and many are going on to attain an advanced degree such as an MBA. Others pursue (and are encouraged to pursue) outside work experience to prepare themselves better for helping manage their family's assets.

### The softer the skills, the higher the success rate

While financial nous and business skills are of course important to the preservation of capital, the most significant reason for the intergenerational loss of wealth is lack of communication and trust -- accounting for 60% of failures.

Soft skills such as listening, leadership, negotiation and communication are often overlooked in financial education, yet they are the key success factors to any relationship -- whether business, family or both.

Research conducted by Harvard and Stanford Universities in conjunction with the Carnegie Foundation found that 85% of job success came from well-developed soft and people skills, with only 15% of success attributable to technical skills.

With family offices, where parent-child or sibling relations can become strained, knowing how to negotiate, listen and communicate can not only lead to better business, but to maintaining household peace. Being able to recognise communication and relationship styles – including one's own – is a learnable skill. There are various frameworks to determine these social styles.

For example, are you results-oriented to the point where you will confront and correct others? Or do you prefer to let others take the initiative and wait to evaluate their decisions? Are you more intuitive and motivational, and is this at odds with your more analytical relatives? And, once you've determined your own style and that of others, how can you start putting this knowledge into practice in the workplace?

### Letting their voice be heard

Communications coaching can play a vital role in establishing or re-establishing trust and positive working relationships within a family office. However, without the participation of the younger generation, a successful transition will be stymied. In short, they have to be part of the conversation and feel as though their voices are being heard in the decision-making process.

At what age younger members should be called upon to join in should be determined and agreed upon by all the older generation to remove any subjectivity or feelings of bias. And, taking a note from the recent focus on the 30% Club (the global campaign pushing for at least 30% female representation on boards), families may want to have at least 30% representation by the younger generation at their decision-making meetings. Research has shown that 30% is the necessary percentage for a minority group to reach critical mass and become heard in their own right, rather than simply representing the minority.

Renée is the Managing Director of Debrett's. Born in the United States, she is a graduate of Stanford University and the MIT Sloan School of Business, where she gained an MBA in Finance. Following a successful career in Sales & Trading at Bank of America and Citadel Securities, she moved to Napa Valley to pursue her passion for wine in 2011, first working a harvest as an intern and moving on to manage a winery. Renée moved to the UK in 2014 and joined Debrett's in October 2015 in a newly appointed role as Managing Director of new ventures before succeeding the outgoing CEO in January 2016.

[reneekuo@debretts.co.uk](mailto:reneekuo@debretts.co.uk)  
[www.debretts.com](http://www.debretts.com)





# TOP 5 FAMILY DYNAMICS IN PHILANTHROPIC FAMILIES AND WHAT YOU CAN DO ABOUT THEM

## PHILANTHROPY ARTICLE

Even in the most successful families, misunderstandings, disagreements and power struggles can occur—and that might be on a good day. Add wealth to the mix, and family dynamics become a tricky business that can hinder good decision making. This is especially true when family members must make decisions together about money—whether that’s making money, keeping money, or giving it away.

How can family offices help their families navigate these complex and confidential matters in a way that supports the best interests of the family and its philanthropy?

First, know that all families operate in ways that are influenced by family dynamics. Although a family itself is a larger system, it comprises individual members who have their own interests, goals and preferences. These individuals are born into certain roles in the family and may consciously or unconsciously play out certain scripts as a result of their role, be it patriarch, a matriarch, son, daughter, sibling, cousin, niece, nephew. Family dynamics is the way in which members of the family interact with each other, based on their roles, as well as their personality or their individual style.

When working in a family office setting, it helps to be prepared. Here are five of the most common family dynamics that can arise in philanthropic families—and some quick tips to help mitigate them.

1. The family matriarch and/or patriarch establishes a philanthropic foundation or fund with the hope (i.e., expectation) that the adult children will carry on the work.

The challenge here is that if the parent’s haven’t involved the children early on in the family enterprise or philanthropy, the children may respond to the “opportunity” with delight or dread. The children may



Suzanne Hammer  
Hammer & Associates

feel that philanthropy is their “parent’s thing” or feel pigeonholed by the funding focus set by the parent’s. The younger generation may also move away and no longer feel connected or interested in giving to the geographic area designated by the parent’s.

What can families do? Talk with kids in advance, especially as those kids enter early adulthood. Find out about what their interests are, and how they might intersect with the foundation and/or family philanthropy. If geography is an issue, discuss ways the younger generation can honor their parents’ wishes, and yet connect and feel rewarded in the work. Use discretionary giving as an option to meet various community needs and family interests.

2. Founders of the family philanthropy have a hard time passing on control to the next generation.

Some family leaders aren’t willing to let go and are bent on maintaining control—even from the grave. They worked hard to build what they have, and want their wishes to be known and followed. They perhaps are in denial of their own mortality and want to ensure that their legacy lives on.

What can families do? Encourage the family leader to create a donor intent letter or ethical will that outlines his or her wishes for the family philanthropy. Talk about ways to honor the family leader and legacy, while remaining flexible to future needs and family interests. Engage in succession planning for the family enterprise and philanthropy as early as possible to introduce these discussions in a non-threatening way.

3. Family members have different beliefs, communication or individual styles, which hinders their ability to work well together.

Families can make each other crazy with stylistic and ideological differences. Imagine a boardroom full of family members who fall across the political or religious spectrum. One adult sibling who won’t stop talking, and another sibling who can hardly get a word in. A millennial who will only respond to text messages and takes notes on a laptop. A traditionalist who has no time or patience to learn technology. Sound like an interesting meeting?

What can families do? It helps to create a common framework for communicating that can help philanthropic families focus on the good they are there to do. Practice good governance set ground rules for meetings, and remind family members why they are there in the first place. Ask family members to bring with them certain details about the organizations they are interested in supporting, and share that with the group. Create agreements for how the family will communicate about the philanthropy outside the meetings as well.

4. Family members are in active conflict with one another, and they bring their personal beefs into the boardroom.

Conflict is a natural part of all human relationships, and

as a family grows and more people become involved in the philanthropy, the level of tension and competing interests can mount. Family members from different branches may have little in common, or carry personal problems or resentments that get in the way of the work.

What can families do? Start with what everyone has in common—which is the desire to give—and add some structure to it. Determine what is normal, healthy disagreement, and what is simply inappropriate. If the undercurrent of conflict overruns the philanthropy discussions, hire an outside facilitator who is skilled in family dynamics. Make sure every family member has an equal voice. Create agreements for how the family will navigate conflicts as they arise. Hire a skilled facilitator to help.

5. Family members draw nonfamily members or staff into side conversations, choosing loyalties, and other unproductive family dynamics.

In some cases, having a family office executive or staff in the room can keep family members on their best behavior. However, that’s not always the case. If not careful, family staff can get sucked unaware into the undertow of family woes.

What can family staff do? Expect family conflict to come up. Know that it’s not your job to fix it (nor can you fix it if you tried), however, you can help the family find the right resources to navigate it. Maintain a neutral, objective position where everyone is heard, there is no right or wrong, and everyone saves face.

Suzanne Hammer of Hammer & Associates gives family offices the tools they need to engage in and connect with their philanthropy—helping philanthropic individuals and families pair their passion with proven strategies.

To learn more, look for her forthcoming EngagedPhilanthropy™ toolkit Family Dynamics: A Family Office Guide to Meaningful Giving at SuzanneHammer.com or contact 303-319-3029. Follow @philanthrpsolut.



  
**ALLEN & JAIN**  
 EDUCATION CONCIERGE

V I P

THE ULTIMATE AIRPORT EXPERIENCE

DEDICATED ENTRANCE PRIVATE HOST EXCLUSIVE SECURITY EXPERIENCE CHAUFFEUR PLANE



# The Rebirth of Bespoke Education

Education has always been a unique investment. Not only is the direct beneficiary of the service usually not the party spending the money, but the return on an educational investment is often markedly unclear. When an individual is successful, especially if they are one in a line of a history of success, it can be a challenge to what exactly had the greatest influence on that outcome. Was it ongoing exposure to business and strong familial role models? Connections fostered in an elite university? Technical ability built in layers from the earliest stage of education? The truth is that it is difficult to know exactly which combination of skills, exposure, and developed outlook will prove best for dealing with tomorrow's problems, and increasingly so. For millennia those able to do so have sought out the best tutors and educators for their children because it has always been clear that education is imperative to success.

As the global luxury markets continue to grow, it is perhaps unsurprising that a similar growth has been seen at the top level of education. With remote work, learning and collaboration ever more accessible, flexible bespoke education is likewise ever more convenient. Technological advances have meant that a student is able to be educated remotely, and it is easier than ever to create bespoke learning resources online and to record, manage and evaluate a student's progress. It is hardly surprising then that those seeking to optimise their own or their children's education are turning back to the bespoke. However now the options extend far beyond the tutors in residence of the old royal courts.

Whether it is Elon Musk producing a curriculum specifically for his children and some peers, the rise in influential people founding non standard schools in developed countries (be it Mark Zuckerberg or LeBron James), or a move away from a focus on the school environment itself, we are seeing a movement away from standardisation in education. It is now simple to conduct a virtual lesson with a chosen subject expert from across continents or to access and transmit a vast array of educational and research resources, all from while in the home of the student. Some schools are beginning to integrate technology to allow for distance learning such as Stanford Online High School, but on the whole, integration has been slow.

This is not to say that there is no value in the social environment, connections and culture fostered at a traditional elite school. There is certainly a lot more to education than access to bespoke academic tutoring and monitoring. However, wider education also benefits from the opportunities that a bespoke education can provide. Even before technology opened up the field, parents were combining school based education, not only with local private tutors but with exposure to business or internships. Today, far more parents are seeing the benefit of integrating a traditional school based education with bespoke targeted educational experiences, be that mentorship with a university researcher in a subject of interest, involvement in a chosen research or business project, or time spent shadowing a senior political figure. Not only are far more of these additional opportunities available remotely, but the relevant individuals are far more contactable throughout the process than before. In fact the most rapid expansion in high end education has been in this form of extra, or super-curricular development, as students seek to differentiate themselves from an increasingly competitive pool. It is becoming more widely recognised that bespoke and tailored educational experience not only increases the chances of an applicant to an elite educational institution, but is enormously beneficial to their interest and expertise in a way which generic curriculums cannot be.

Ensuring that our clients are in the best position to take advantage of the current trends and the latest opportunities has been at the heart of Allen & Jain Education's philosophy since the inception of the educational branch of the company five years ago. Be that access to elite institutions, creating a bespoke concierge service for unusual requirements and goals, or ensuring interdisciplinarity is maintained in an otherwise rigid educational plan; we have seen increasing desire from Family Offices across the world to prioritise control in the education of the next generation. Increasing numbers are realising that just as it makes sense to control and manage businesses and offices on a case by case basis using the leveraging connections and using the most current technology, so does it make sense to do the same in the education of the future leaders of those entities.

[www.allenandjain.co.uk](http://www.allenandjain.co.uk)

[hello@allenandjain.co.uk](mailto:hello@allenandjain.co.uk)

For the most luxurious way through Heathrow when travelling first or business class, for unparalleled service and your own private airport lounge, book Heathrow VIP. Visit [www.heathrowvip.com](http://www.heathrowvip.com) or call +44 (0) 20 8757 2227 and reference your unique code 'FOE'

**Heathrow**



# BNY MELLON

The Softer Side of the Evolving Canadian Family Office



**Trevor Hunt**



**Anthony J. Messina**

The concept of a single family office or multi-family office is fairly new to Canada compared with Europe and the United States. However, particularly since 2008, there have been an increasing number of family offices that have been created upon liquidity events. This is typically a result of family assets having grown considerably and required specialised expertise or due to first generation family members facing progressively more complexities and embracing sustainable wealth transfer to the next generation and beyond. Significant Canadian families have accumulated wealth through various industries, although, predictably, these have often been concentrated within commodities, real estate and infrastructure, and to a lesser extent, technology. Given that our firm's approach here in Canada is most similar to that of the investment arm of a multi-family office, we fully appreciate that no two families and no two family offices are alike. On a case-by-case basis there should be sufficient flexibility in deciding which functions are best serviced in-house by the family offices versus those services which should be out sourced, to ultimately maximise efficiencies and quality of services for the family. These decisions

are fundamentally, but not always, dependent on size. Substantially larger family offices (over \$500 million in assets) can attract talent which can make it economically advantageous to carry out a full-spectrum service whilst others may benefit from leveraging resources and intellectual capital collectively. The latter describes a multi-family office approach.

Putting the investment related activities aside, we are noticing an escalating demand for what some refer to as the "softer issues" within the family office environment.

These responsibilities may include:

1. Family governance – Most of us have heard of the shirtsleeves to shirtsleeves phenomenon whereby the wealth that has been created by the first generation is significantly diminished if not decimated by the third generation. Family governance formalises the process for preparing the family to receive the wealth, rather than merely getting the money ready for the family. The first step in this process is establishing open communications and trust within and across generations. A family office can play a key role here, in

convening family "get togethers". These may start by being purely social gatherings and gradually progress to include more formal discussions and exercises. This could encompass collaboratively establishing a family mission statement, deciding on a family vision based on shared core values, and designing a code of conduct for future meetings. As the family grows in numbers and wealth, this often also includes defining roles and responsibilities, possibly codified in a family constitution.

2. Education – A key early step in preparing families for their inheritance is educating the beneficiaries so they become better stewards of their future wealth. This can start with basic instruction on different types of investments and does not stop at asset allocation and investment policy knowledge. It should however include: how to select an investment manager, that is, both quantitative and qualitative criteria with arguably a greater emphasis on the latter. One facet to be stressed is a deeper understanding of the motivations driving an investment manager's decisions. This can be achieved through asking the right questions e.g. how is the investment manager compensated? Does he/she have any of their own wealth invested in the underlying strategy? If so, what percentage of their own wealth is invested alongside their investors?

3. Philanthropy – Many financially successful Canadian families are generous and philanthropy is one area that is relatively easy for the entire family to be able to participate in. While it's nice to give family members the chance to allocate some of their charitable gifts to their own favourite causes, we have observed that families benefit on many levels when they dedicate at least a portion of their donations to "family philanthropy". By making a collective decision to contribute to a specific cause or causes that reflect the family's values, multiple generations participate in joint decision making in a feel good, nonthreatening way. If used correctly, philanthropy can be an effective tool for evaluating differing family members' communication styles and assist in nurturing decision making capabilities within families and across generations. Like other regions, the evolution of family offices in Canada has

given rise to peer group networking amongst affluent families who share with each other the challenges and the successes of operating a family office in order to establish the optimal practices that may be followed. For instance, earlier this month, one of the senior members of our team attended a private family office conference in the remote location of Banff in Alberta. The audience included family members and their advisors from around the country with representatives from Vancouver, Edmonton, Calgary, Toronto and Montreal. The agenda, for the most part, addressed these softer issues with an emphasis on people within the family office, family dynamics, governance and education. "By coming together in a forum such as this, families and their advisors can learn from each other to a. mitigate potential pitfalls and b. uncover any hidden opportunities, to effectively execute best practices." Said Trevor Hunt, Wealth Director at BNY Mellon Wealth Management in Toronto.

Although the financial assets of the family office may seem paramount, successful multi-generational families have demonstrated the value of developing human and intellectual capital as well. The softer issues cannot be ignored and are increasingly a focal point for family offices across the country. This is an area where leadership from a single or multi-family office can be a major plus.

Anthony J. Messina is the President of BNY Mellon Wealth Management based in Toronto. The Canadian business advises on nearly \$5bn in assets primarily through third party investment managers and predominantly for significant Canadian families in addition to institutions.

[www.bnymellonwealthadvisory.ca](http://www.bnymellonwealthadvisory.ca)



**BNY MELLON**  
**WEALTH MANAGEMENT**

## BUSINESS GROWTH STRATEGIST MOTIVATIONAL SPEAKER

### HOW TO GROW YOUR BUSINESS & DEVELOP YOUR BRAND

Being able to sustain your businesses, and at the same time grow, increasing turnover and profit while ensuring you have a strong motivated teams.

We are currently assisting Business Owners and entrepreneurs who are going through much change right now with Brexit and with so many global changes what to do? Its not just investment that will help you....we help you to think and become a visionary, become pragmatic, and know how to pitch your brand and ideas and not be dependent on only investment

### HOW ARE YOUR CHILDREN GOING TO DECIDE ON THEIR FUTURE CAREER?

We assist so many of our clients' children decide on what will be the right career path for them. Education is an investment. For those graduates who know what they want to do that maybe fine, however there are so many who do not have a clue. The decisions are made by their parents and then 10 years down the line they find themselves tied to a career they really dislike, are not passionate about, unhappy in but are trapped! Sounds familiar? It's better to get them on the right path first. Let us:

- Help them to create a long & short term vision
- Create their Personal Brand
- Understand the best organisations that will fit their brand values
- Help them create the right pitch documents for potential opportunities
- Introduce them up with contacts
- Assist with all interview until they have got the right opportunity



### HOW STRONG ARE YOUR STRATEGIC PARTNERSHIPS AND BUSINESS DEVELOPMENT ACTIVITIES

Acquisition Retention and Engagement. Exposure to the right audiences, from private banks, to wealth managers, investor networks, family offices, niche lifestyle companies, private clients.

**Help** build a loyal and engaged target client base which has a strong connection to the brand and its ethos

**Meaningful**, well-positioned brand partnerships (fashion, lifestyle, art, premium drinks, hospitality)

**Cross marketing** opportunities Individual facilitated introductions for on-going collaborations and business development

**Introductions** to key influencers, brand partnerships and clients which may fall outside of the event activity, but where there would be benefit for the client. The client would then be in a position to build on and continue these relationships beyond the contract term/event

**Development** of an event formula the client can implement to continue to attract and engage private clients beyond the contract period/event series

To discuss how we can assist you, contact:  
**RAMONA DA GAMA**

Call on: **+44(0) 7884073085**  
Website: <https://ramonadagama.com>  
Email: [ramona@rdg.global](mailto:ramona@rdg.global)

We are Based in Kensington London & Nice, South of France

# PROTECT YOUR PASSION



**FORTECHO**

## STATE OF THE ART PROTECTION SOLUTIONS

Real-time monitoring for **theft, damage** and **dangerous climate conditions** for private collections, galleries offices and museums.

  
**FORTECHO.COM**

Contact an art protection specialist today for a **free consultation**.

**+44(0)207 736 3330**



## The Bronze of the 21st Century

### Family Office Magazine interviews Crystal Caviar Founder, Marek Landa

Greeting Marek Landa at the Monaco Yacht show, he exhibits the charisma of an entrepreneur, not flamboyant, rather with the dignified presence of one who has conquered many challenges on his way to success. Jovial, open and urbane, the collector proudly displays his Czech sculpture pieces at the show's luxury exhibition. This is a passion he and his wife enjoy thanks to the fruits of many

years' labour manufacturing and placing crystal chandeliers and intricate mirrors on the world's most glamorous superyachts.

Developing a business in the art of crystal was then, for Landa, a natural progression following the success of the lighting range and offers a steady stream of potential buyers already bedazzled by the multi-faceted jewelled pendants

above their heads whilst cruising out at sea.

More than 70 Yachts (including 5 of the top ten world's biggest) have chandeliers and sculptures made by crystal Caviar company and their artists.

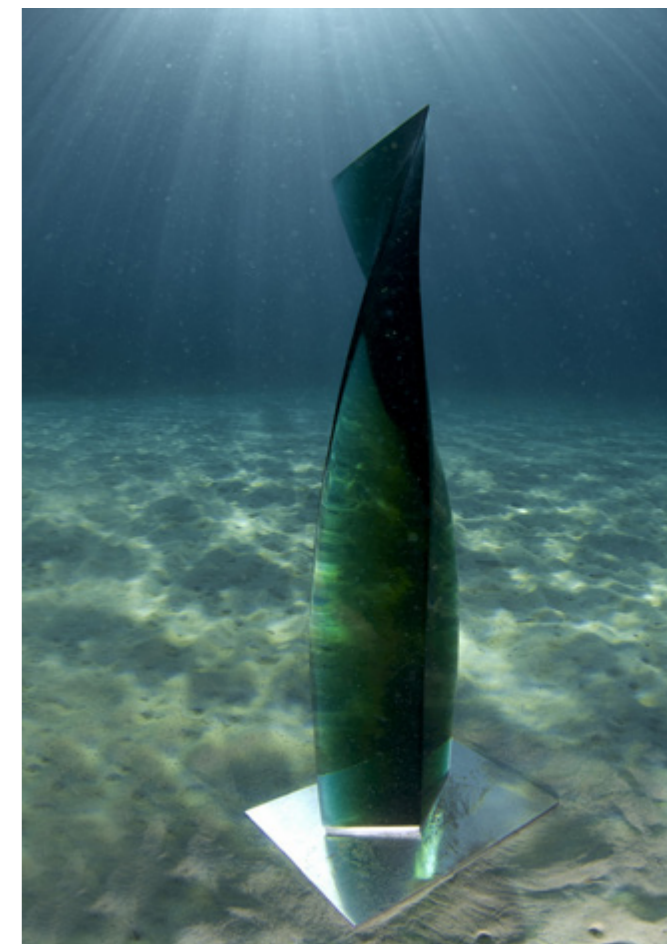
The sculptures lend themselves well to a marine environment. They are less likely to be damaged

by light and saline air, they are solid and can be placed artistically in niches and if well positioned, less likely to topple. Placing them artistically and with curatorial guidance, the crystal sculptures capture and refract light in a myriad of ways contributing to a vibrant experience on board. Beautiful and calming on the gaze, there is a surprisingly diverse range of designs and colours; certainly however, the monumental, rich, deep blue monoliths stand apart from the rest.

Whilst ornamental, these pieces go beyond Bohemian objets d'art into the realm of collectable fine art and with the development and support of Artsio gallery, Marek Landa has realised the potential of a craft steeped in Czech tradition of artisanal glass, to become so much more by managing the career development and market exposure of the artists, so talented that their works now command up to many hundreds of thousands of Euros. Leading the Czech school is Vlastimil Beranek, an artist of thirty-years' practice creating specialist pieces of up to 230kg. His 'bluest of blue' pieces would be admired by Yves Klein and represent the culmination of a fascination with the ocean and considerable technical ability to be able to create pieces which fuse art and complex technology in a way that appears seamless. Beranek comes from the third generation of glassmakers and he learned his craft from his father. However he studied fine art from his teen age. He graduated as sculptor under Professor Libensky, one of the best Glass teachers of his time. Libensky was the inventor of sculpture mould melting technology.

Today Beranek and his student Jaroslav Prosek have been selected by the Michelangelo Foundation as two of the top 100 European artists. Beranek's sculptures are now placed in some of the most prestigious museums around the world.

Recently on the seabed in Punta Negra off the Majorcan coast, Beranek was captured exquisitely by Martin Colognoli an underwater photographer working in conjunction with the Peter Diving company. This



collaboration saw pieces including 'uranium' yellow glass being lowered underwater in one of the most ambitious exhibitions ever, staged by Artsio Gallery. The photographs themselves are a worthy of their own exhibition.

Landa's goal is to be the largest collector of crystal sculpture in the world, he already owns more than 700 Bohemian crystal sculptures and large reserves of the raw material and he also supports other artists such as Jan Frydrych, Michaela Smrcek, Jaroslav Prosek and the renowned Emirati artist Dr. Najat Makki. By providing workshops he is clearly looking to control this market and the production. In return he is developing the careers of artists and guaranteeing them an income, legacy and prestige.

by Pandora Mather-Lees

# Foreign Flagged Superyacht Charters in Australia

A full service offering to navigate Australia's tax system for foreign flagged superyacht charters



## Opportunity

Australia is a beautiful cruising destination renowned for its iconic attractions and safe secluded cruising grounds. It also has some of the best repair and refit businesses as well as excellent marina facilities.



## Solution

PricewaterhouseCoopers (PwC) have developed a seamless approach to managing all of the regulatory burdens of the Australian Tax System. This removes the need for yacht owners to deal directly with Australia's complex tax system and revenue authorities.



## Problem

Dealing with Australia's complex Tax System, and in particular, the Goods and Services Tax (GST) obligations on the importation and chartering of superyachts often creates a significant impediment to yacht owners from bringing their yachts into Australia.



## Assurance

In developing our superyacht solution, PwC have obtained an agreement with the Australian Tax Office to confirm the legality and all necessary compliance requirements are met.

Curiosity is a fundamental human quality. Through it we expand our horizons and our aspirations, whilst technological advances accelerate our progress.

In the fields of offshore oil, gas, and renewable energy, the pursuit of innovative working methods, including the increasing use of robotics, is pushing existing capabilities to the limit.

Presently there are insufficient facilities to enable the development, evaluation, and process optimisation of human and robotic activities across the sector, which are essential to enable more economic, efficient, and environmentally friendly energy extraction and generation.

Companies such as SpaceX, Blue Origin, Axiom, Orion Span, and Virgin Galactic have committed themselves to realising the objective of regular and affordable commercial human spaceflight. Significant funds have been directed to the establishment of spaceports, the development of reusable rocket launch systems, and the construction of space hotels.

To prepare adequately for the physical and psychological challenges of space flight however, potential commercial astronauts will need to undertake a very rigorous programme of training prior to travel.



"In further developing [our subsea] excellence we must continually strive to enhance our technologies and it is credible there will be opportunities for Blue Abyss to play an important part in the testing and trialling of these new concepts, many of which are not yet on drawing boards."

Bill Cattanach OBE, Head of Supply Chain, UK Oil & Gas Authority.



"Astronauts and other space professionals will want to come from around the world to use the massive, yet controlled, environment to reduce risk in space. Knowledge transfer between the different types of users will benefit everyone, divers and astronauts alike, and I can see plenty of international collaborations and business ventures starting life within Blue Abyss."

Dr Helen Sharman, First British Astronaut.



Others may not wish, or be able, to travel into space, preferring to experience high-fidelity, augmented reality space missions on earth.

Remarkably, there is an emerging common denominator for the satisfaction of these, and other tangential needs - water! Blue Abyss ([www.blueabyss.uk](http://www.blueabyss.uk)), a privately held UK company, is constructing a number of extreme environment research, development and training centres around the world.

Blue Abyss Founder, John Vickers conceived the idea of constructing the world's largest freshwater pools to cater for a wide range of

industrial, commercial, and academic customers.

Complementing the pools will be long arm human centrifuges providing high-G facilities, and parabolic flight services for Zero-G experiences.

The centres also will enable advances in STEM education, human performance R&D, hyperbaric medicine and underwater cinematography.

Blue Abyss has relationships with significant organisations such as NASA, ESA, and numerous global offshore energy, defence, and Subsea technology manufacturing companies.

If you are interested in learning how we have solved this problem, do not hesitate to contact us.

Jeff Pfaff (PwC)  
Partner – GST Specialist,  
Tax and Legal Services  
T: +61 7 3257 8729  
M: +61 401 222 696  
E: [jeff.pfaff@pwc.com](mailto:jeff.pfaff@pwc.com)

Cameron Bray  
Director  
Foreign Flag Yachting  
M: +61 404 739 161  
E: [cameron@foreignflagyachting.com](mailto:cameron@foreignflagyachting.com)

# Blue Abyss

Working alongside Mr Vickers is a team of world experts in their fields; notable amongst these is Dr Scott Parazynski, a veteran NASA astronaut, Dr Vladimir Pletser, a global authority in parabolic flight, and General Dumitru-Dorin Prunariu, a retired cosmonaut and former President of the Romanian Space Agency.

The Blue Abyss UK centre has been designed by the renowned architect Robin Partington. It is expected that the first 3 centres in the UK, the USA and the Middle East will be operational in early 2021. Expressions of interest in early stage investment opportunities in this unique business are welcomed.

Contact: John Vickers, Chief Executive Officer - [john.vickers@blueabyss.uk](mailto:john.vickers@blueabyss.uk)



© 2018 PricewaterhouseCoopers. All rights reserved.



By Jeffrey Sacks, EMEA Capital Markets Strategist, Citi Private Bank

There is a growing recognition that for wealth to be sustained over several generations, collaboration and good communication is required between family members. This lessens the potential impact of family disputes, poor decision-making, unprepared heirs and feelings of entitlement. This is especially the case with multi-branch families that are geographically disbursed. This article explores how private banks can be integrated into this process, and why it can be advantageous to do so.

A family office architecture has three elements:

1. **Size:** This is the number of family members, the number of staff and the amount of assets under management.
2. **Complexity:** This includes investment types, number of generations in the family and legal entity structures.
3. **Autonomy:** The degree to which professional functions are outsourced, what the typical professional services are and what the advantages of outsourcing are if done with private banks.

The burdens that come with significant wealth can be complex and challenging. This is why ultra-high net worth (UHNW) individuals and wealthy families are creating family offices. Sometimes, a family office can be separate from the family business;

sometimes not. Family offices are typically dedicated to providing professional and personal duties for the family. They centralize the execution of investment strategy, tax services, insurance planning, philanthropic advice and personal services.

Given the breadth of the institutional level of access and service needed by UHNW and family offices, some of the needs are outsourced to the larger private banks. The demand for outsourcing is growing rapidly, particularly amongst a handful of bigger global private banks. In particular, the private banks that are succeeding in partnering with UHNW and family offices are those that can offer a mix of positive investment results, deep intellectual capital, quality research, unique products and dedicated advisory teams that can deliver exceptional client experience and have corporate reputations for ethics and innovation.

While the decision to outsource is firstly driven by considerations of cost, flexibility and confidentiality, family offices typically look to outsource functions where there are diseconomies of scale (i.e. too much volume), specialized skill needs (e.g. aircraft maintenance, estate law), low-cost access to alternatives like external fixed income managers and new technology solutions to support



consolidated reporting and risk management. In outsourcing, some or all of these areas have a higher probability of better transitions of wealth from generation to generation – a key advantage, as research has shown that, in 90 percent of cases, family wealth dissipates by the third generation (source: The Williams Group, Raymond James).

A large Private Bank can assist in four main areas:

1. Family mission statement.
2. Investment Strategy.
3. Governance Structure.
4. Wealth education curriculums.

The family mission statement's purpose is to assist the family in developing and establishing fundamentals for the extended family to follow and learn from. The objective of the mission statement is to define the core purpose of the family, and in so doing establish a guiding force for relevance of the current and future generations. In considering the mission statement

purpose and objectives, some key questions need to be addressed, such as what the meaning of the family wealth is and why the family business exists. Ultimately, the family mission statement should help to align family core values and ideals and facilitate leadership. These core values should be regularly reviewed and periodically re-confirmed.

In formulating an investment strategy, the first step is to establish an investment committee. This involves selecting experienced investment professionals – both generalists with broad experience as well as specialists in key areas – and a strong well-respected Chairperson.

The investment committee should have no conflicts of interest. Its aims should be to formalize the investment process, enhance portfolio strategies, educate family members, provide a forum for discussion for internal professionals and formalize the review process. Its responsibilities include agreeing procedures and a decision-making process, writing an investment policy, monitoring strategic allocation and asset classes, actively reviewing the performance of managers and investigating new investment alternatives.

Of the above, the investment process and investment policy are critical, and are areas where the private bank partner can be actively involved. The investment process should be rigorous and consistently applied in order to achieve strong long-term returns.

The private bank partner can assist in all areas of the process:

1. **Investment policy statement** – defining objectives, benchmarks, roles and responsibilities.
2. **Asset allocation** – considering potential risks and potential rewards across all asset classes and regions, also taking into account liquidity and behavioural biases of the family.
3. **Portfolio construction** – using the bank's research and analytics capability, establishing minimum and maximum exposures by asset class and region, as well as rebalancing rules. Performance reporting - regular in-depth reporting of performance against benchmark and objectives.

If the family office does not need to outsource all of these elements of the investment process, then the private bank could undertake a competency risk analysis to help identify specific areas of weakness within the family office resourcing. With the portfolio construction, in the critical areas of fund and security selection, the best partners for family offices are those private banks with open architecture. In practise, this means having agnostic product selection with objective selection based on independent investment and operational due diligence, pricing transparency with only one level of fees and no retrocessions on discretionary or advisory mandates, having the right incentives with selections based on performance and no additional incentives for the salesforce to sell in-house products, and independent advice (i.e. private banks that do not own

a hedge fund manager, do not run a private equity business, and do not own a fund management company). In addition, private banks that can offer the family office access to their institutional trading platforms should be preferred. In particular, access to a capital markets platform can offer speedy and efficiently priced execution with smooth settlement. Some larger private banks are also able to offer access to their institutional teams, so enabling family offices to create uniquely structured hybrids and customized structured products based on objective risk profiling and desired outcomes.

The investment policy can be framed by the private bank and needs to consider firstly the investment objectives; for example, how much loss is acceptable? What is the financial goal?

What is the potential annual cost of achieving that goal? Secondly, the investment philosophy should be considered; for example, does the family feel strongly in favour of an aggressive trading approach? How much diversification is wanted? How many core positions are preferred versus non-core positions? Thirdly, specific investment selection criteria for funds, stocks and bonds should be decided. Finally, monitoring procedures need to be established.

These include assessments of how to monitor, how often to monitor and how to assess if the portfolio guidelines are being met. Private

banks can have significant roles to play in helping to develop the right governance standards for the family office. There are four components within a governance system:

1. Constitution - the preservation of family vision and values.
2. Assembly – recurring meetings and leadership training for the next generation of wealth.
3. Council – enhancing strategic effectiveness by using the expertise of advisory professionals.
4. Process – efficient decision-making and conflict resolution process.

There are three key decision methods: principal directed, where one or two key family members make all the major decisions;

family board, where three to six family members with a Chair make the decision formerly, at least, quarterly; outside directors, with whom the family board make all the major decisions. Private banks can assist with wealth education. This involves implementing strategies that provide age/skill/interest-appropriate opportunities to lead, learn, influence or grow. This builds family cohesion and communication. At the individual level, developments can be made in financial independence, internships, understanding how credit works and appropriate uses, encouraging saving and budgeting and understanding the power of compounding. In terms of continuing the family legacy, wealth education

can encourage information sharing within families, using philanthropic accounts and foundations for exploring investment strategies and encouraging collaboration, and can also provide opportunities for the senior generation to guide the family and to share philosophies.

In summary, the private banks can help enhance the structure and governance of a family office, raise the rigour of investment decision-making and monitoring, help to build cohesion around the family philosophy and develop the younger generation. The larger private banks are especially well-placed to do this, with their institutional trading platforms, quality research and capital markets expertise.



**Raising The Bar In Recruitment**  
23 Hanover Square, Mayfair, London, W1S 1JB

Butlers	Chefs
Estate Managers	Chauffeurs
House Managers	Bodyguards
Housekeepers	Concierge
Yacht Crew	Front Desk
Nannies	Personal Assistants
Maternity Nurses	Valets
Domestic Couples	Chalet Staff
Lady's Maids	Hotel Staff

*Polo & Tweed are a luxury domestic and corporate staffing specialist. The perfect placement service for clients and staff. We place staff in VIP & HNW private homes, hotels, yachts and chalets across the world. Personal and discreet.*

+44 (0) 203 714 8910      www.poloandtweed.com      info@poloandtweed.com



## PANDORA ART SERVICES

# HOW TO AVOID THE HAZARDS OF OWNING & CARING FOR FINE ART

Managing important art portfolios constitutes a huge responsibility for Family Offices as well as Yacht Management and a burden for superyacht crew, captains and anyone working for owners of art collections. On board art collections can be worth more than the superyacht they reside in. Even the most basic training for your team in the practical care of art, furniture and valuable design objects can save distress, financial loss, irreparable damage and even careers.

Courses, workshops in all aspects of art management, art appreciation are now available worldwide and adapted to suit your needs.

Pandora Art Services now offers training for yacht management and crew on board the superyacht to equip you with the introductory knowledge and practical skills to care for art collections and luxury design on board.

### LOGISTICS

how to safely organise storage, packing and shipping of a valuable painting

### CUSTOMS AND CITES

Implications of taking fine art across borders

### HOW TO GET FINE ART OBJECTS REPAIRED

Conserved or technically analysed

### LUXURY DESIGN AND INTERIORS

Conservation cleaning of objects

### ART APPRECIATION

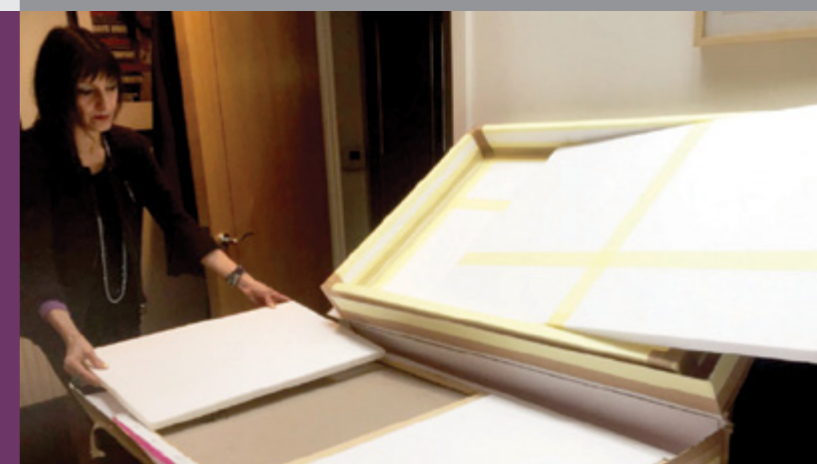
Understand the works around you so as to converse and communicate

### INSURANCE

Understand the risks and potential pitfalls of art at sea and in residence

Our training represents career enhancement for individuals working for art collectors, Yacht Management and family offices. For the family office or collector, you have peace of mind that your valuable possessions are in safe hands.

Remember that successfully caring for prestigious objects presents interior crew and other staff with unique challenges.



**Call now for further discussion as regards our flexibility in location, timing and content.**

Email on: Pandora@rdg.global      Call on: +44 796755372

MOMART

Moved by Art



# ART & MUSEUM

Special Issue



*Experienced, trusted, discreet*

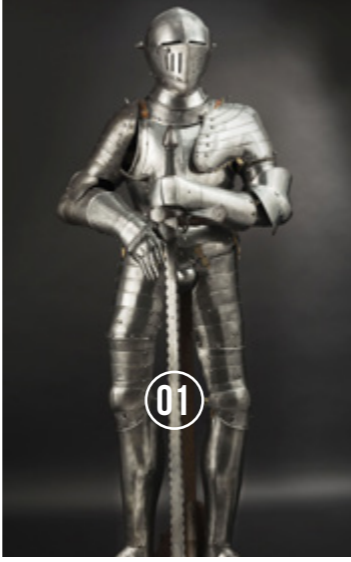
*Providing premier fine art transport, storage and installation service to collectors, galleries and artists worldwide.*



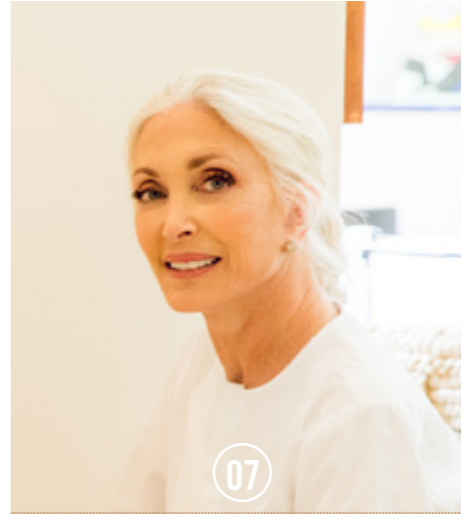
T. +44 (0)20 7426 3000 | E. [enquiries@momart.co.uk](mailto:enquiries@momart.co.uk) | [www.momart.co.uk](http://www.momart.co.uk)



The British Art Fair  
The legacy of Gay Hutson and Angela "Bunny" Wynne,



Hermann Historica  
Auctions in Munich



Barbara Guggenheim  
Art Advisory



# WELCOME

## ART & MUSEUM MAGAZINE

Welcome to Art & Museum Magazine, a supplement for Family Office Magazine, a premier publication dedicated to the Family Office space. We have a readership of over 56,000 comprising of some of the wealthiest people in the world and their advisors. Many have a keen interest in the arts, some are connoisseurs while others are investors.

Many people do not understand the role of a Family Office. A brief explanation of a family office is a private wealth management office that handles the investments, governance and legal regulation of a wealthy family, typically with over £100m + in assets.

Art & Museum is distributed within Family Office

Magazine and also appear at many of the most significant finance, banking and Family Office Events around the World. Our Media Kit is worth a look. [www.ourmediakit.co.uk](http://www.ourmediakit.co.uk)

We recently formed several strategic partnerships with organisations including numerous Art and Finance Conferences, Museum Connections 18, The British Art Fair and Russian Art Week and many more. We also attend and cover many other international art fairs and exhibitions.

We are very receptive to new ideas for stories and editorials. We understand that one person's art is another person's poison, and this is one of the many ideas we will explore within 'Art & Museum' Magazine.



Collecting Art with Passion  
by Betsy Bickar: Citi Private Bank's Art Advisory & Finance group



Secret Commissions in Art Transactions  
by Phoebe Kouvelas, LL.M.



Imagine!  
A World Where Art Can be in More Than One Place



Art Education For Family Offices  
Wendy Zieger



# Hermann Historica Auctions in Munich

## A showcase of fine craftsmanship from the armourers and blacksmiths of the Middle Ages

Hermann Historica Auctions was founded some 50 years ago in Nuremberg, specialising in military history. Today, the company has a global team of specialists, 40,000 clients and a flow of stunning pieces passing through its spring and autumn sales programme.

This season's sale was an exciting one for enthusiasts because it exhibited key pieces from the battlefield reflecting the mastery of medieval metalwork.

These were distinguished artefacts from the most talented craftsmen of their time, who devoted their skill to overcoming the exceptional challenges of producing and designing armour, arms, blades and shields. Combining reliability, functionality and aesthetic beauty, these works were produced for armouries, arsenals and armies of the day.

In calibre and artistry, they stand up to the best of that produced for the contemporary religious and secular markets. Far from being merely utilitarian, these were objects designed to highlight the status, prestige and honour of the bearer. Moreover, like modern day branding, the artisan was aware of the need to represent whichever affiliation the combatant enjoyed, through the characteristic execution of the piece. As a result, virtually every conceivable artisanal technique has been employed in the manufacture and ornamentation of this armour and weaponry.

One of the prize catalogue entries in this auction was a complete piece of Augsburg style, German armour, 1.75m tall, dating from the second half of the 16th century. It was meticulously crafted



*German full Armour in Augsburg Style*



*Significant Etched Italian Morion, Pisa*



*Shoulder Sliding on Several Lames*

as a protective shell from the prominent, roped flanges at the gussets and clever neck opening, to the shoulders, greaves and gauntlets, these sliding on several lames to optimise freedom of movement.

Even at the time, classic armour for the field was adapted for other purposes by means of modifications, such as reinforcements and additions. This advanced production method was also in evidence here with its plethora of individual parts shielding the body from head to toe. Boasting a particularly sturdy, ridged breast plate it also had a screw-mounted, hinged lance to the side. These innovations were designed to afford high protection during a tournament. The ensemble was topped with an elegant helmet, forged from a single piece of metal and fitted with visors. Once again, the armourers' skill of this period was very much evident in the unusual

stylistic rendering of the eye and mouth areas. While narrow eye slits permitted vision, the breathing apertures were artfully conceived in a rosette on the left and slots on the right. To this day, the assembled half armour is an impressive testimony to medieval artistry, a distinctive design object bringing history to life before our eyes.

A second piece of note this season was a rare,



*German Rapier with Silver Inlays, 1610*



*Blackened Iron Decorated with Silver Inlays*

German chamfron from the same period, which tells us that the armourer's intentions went beyond bodily protection. Crafted from a single sheet of iron, sporting ridges and riveted ear covers, the elaborately turned head piece with its semi-circular eye openings would have shielded the horse's skull from all manner of blows. The lavishly detailed workmanship demonstrated a mark of great respect for animals on the battlefield whilst achieving a harmonious overall finish to what was an extremely intricate artefact. Indeed, this example boasted a continuous etched ornamental band, partially gilded, blackened and further embellished with a border of brass rivets.

and riveted ear covers, the elaborately turned head piece with its semi-circular eye openings would have shielded the horse's skull from all manner of blows. The lavishly detailed workmanship demonstrated a mark of great respect for animals on the battlefield whilst achieving a harmonious overall finish to what was an extremely intricate artefact. Indeed, this example boasted a continuous etched ornamental band, partially gilded, blackened and further embellished with a border of brass rivets.

Equally worthy of note in the catalogue was a morion, a helmet devoid of visor. This example was highly decorated with black stain etching. In a characteristic form and crowned with an unusually high comb, the appeal of this helmet lay not just in its exceptionally renowned provenance, namely the prestigious Conan Doyle Collection, but also in its magnificent decoration. Trophies with a lion and dragon adorned the comb, while Fortune perched on the skull, flanked by two putti and further trophy decoration. The etchings had been executed with such finesse, clarity and precision that they bore



*Finest Inlays of Engraved and Blackened Bone*



*An Etched and Gilt German Chamfron*



*Etched Band Ornaments Partially Gilt and*

comparison with fine drawings. The continuous lining rivets with ornate brass rosettes were the final aesthetic flourish to the helmet, which was probably made in Pisa, Italy, circa 1580.

Next in line, somewhat later, yet no less significant, was a German sword from the early 17th century. Similar weapons are to be found in the best military museums of Stockholm and Paris. The blackened iron knuckle-bow hilt was particularly arresting by virtue of its fine décor of flower tendrils and cherubim, inlaid in silver. The sophisticated inlay

technique – the marquetry of the artisan metalworker – has all but vanished today and was only used for exclusive artefacts. With its eight ribs of the pommel adorned with silver, it therefore elevated this particular piece to a special collector's item. The sturdy, double-edged blade of the exquisite rider's sword was in excellent, untouched condition, with six small X marks adhered on one side and Pi marks on the other. A brass wire winding and Turk's heads on the slender grip completed the sword's pleasing elegance.

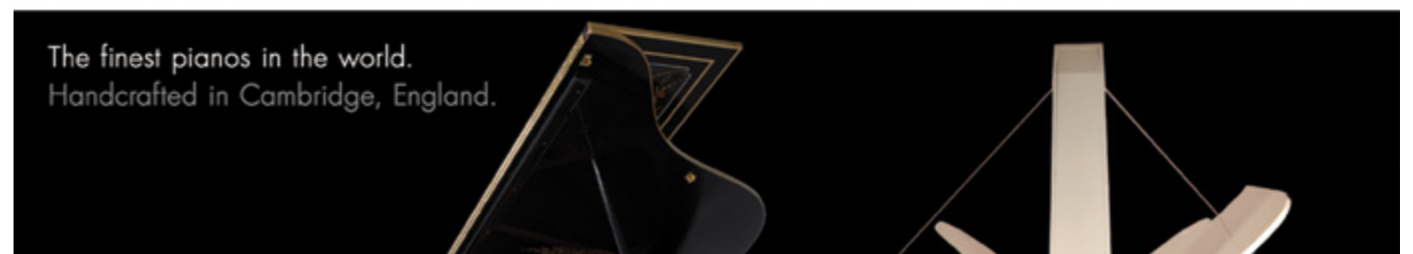
The final piece shown here was the work of a remarkably gifted artisan, who succeeded in composing a true work of art. The inlays of engraved and blackened bone enhanced the walnut stock of a hunting wheellock rifle, produced in Bohemia in 1678. Hunting scenes and castles, interrupted and framed with filigree silver decoration, were vividly depicted with incredible attention to detail, being inlaid and contrasting the dark wood. From a hunter on horseback, his weapon drawn, to a pack of hounds pursuing a lion as it attacked a hunter, every scene was beautifully executed and a narrative in its own right. Moreover, an eagle on a hill, surrounded by trophy decoration, graced the cheek of

the rifle. The metalwork on this rifle, as sumptuous as it was unique, was painstakingly and skillfully designed. Engravings of a bird and leafy vines embellished the lock plate and there was even a face to be discovered on the spring-loaded pan cover, with a wild boar on the lid. This entry was dated and initialled.

Along with the usual wide range of high quality precious objects, these examples were for sale at the Spring Auction. The next auction will start on the 6th of November 2018. Approximately 6,000 lots from all specialist areas were to come under the hammer at Hermann Historica. These include antiquities, arms and armour, works of art, hunting artefacts, orders and collectibles from all fields of history and military history.

Hermann Historica GmbH  
 Linprunstrasse 16  
 D-80335 Munich  
 +49 89 54726490  
 +49 89 547264999  
 contact@hermann-historica.com  
 www.hermann-historica.com

t: +44 1223 881691 e: sales@1066pianos.com www.1066pianos.com



INTERNATIONAL DELIVERY  
 SELF PLAYING SYSTEMS AVAILABLE

PLEASE CONTACT US FOR FURTHER DETAILS ON THESE EXCEPTIONAL INSTRUMENTS FROM THE 1066 PIANO COLLECTION



Johnny Sandelson and Robert Sandelson



by: Pandora Mather-Lees

## The Revival of Modern British Art ... and the British Art Fair

By his own admission, Robert Sandelson unwittingly rides on a storm of interest as he acquires the British Art Fair. Museums and mega galleries such as Sadie Coles, Gagosian and the Wallace Collection have woken up to the potential of 'Modern British' as they shift their attention to embrace a period somewhat obfuscated by the Contemporary Art trend.

We interviewed Robert to ask why he got involved, his strategy for the future and who he is attracting to the Fair as it relaunches on September 20th, 2018.

Following a gruelling day of meetings in town, caught up in the heat and traffic, Robert arrived apologetically yet energised for a much-needed cocktail. Greeting me warmly, as if he had known me for years, he launched straight into a story about how he and his brother Johnny, an entrepreneur investor, grew up amongst fine art. Their parents, Victor and Bernice owned Montpelier Studio and were among the first exhibitors at the 20/21 British Art Fair and it is now dedicated to them.

Robert has known the previous owners Angela Wynne and Gay Hutson for over 30 years and helped out as a young student, eventually exhibiting under his own name. Despite being a businessman, his motivation and goals for the fair centre around love for his subject, "It is all about the art", says Robert. "My favourite period is British art of the late fifties, Bryan Wynter, Patrick Heron, Gillian Ayres and Paul

Feiler. I know immediately the period when I see it; something happened in those few years which was really powerful. I keep going back to that period".

Having dropped the "20/21", The British Art Fair is relaunching and rebranding at The Saatchi Galleries. It offers much more space, is free from the interference of sunlight and has museum quality walls and partitions, not to mention chic hospitality. The Chelsea venue is sure to attract a significant footfall and new audiences, particularly as it is the only fair to specialise in the Modern British and Post-War period and features the most important dealerships. Names such as Offer Waterman, Connaught Brown, Daniel Katz and Bowman Sculpture are all dealers who participate in international art fairs and are excited by the fair's revival. Indeed, Jonathan Clark came out of retirement to participate in the show this year.

Robert will spearhead strategy and operations leaning heavily on outgoing owner, Gay Hutson as fair manager. Gay will remain as a consultant over the next year to continue to support her remarkable endeavour as well as running London's popular Women in the Arts Luncheon Club.

Family Office Magazine and Art & Museum Magazine are delighted to have a media partnership with the British Art Fair, see [www.britishartfair.co.uk](http://www.britishartfair.co.uk).

The British Art Fair is the legacy of Gay Hutson and Angela "Bunny" Wynne, a successful and happy partnership spanning over 30 years.

The British Art Fair would not be what it is today without their creativity, energy, charisma and commitment. Sadly, Bunny, died suddenly, shortly prior to publication and we would like to devote this article to her memory.



# Art Advisory



## *Barbara Guggenheim* *Guggenheim, Asher Associates*

In the course of doing business deals and making investments, wealthy individuals regularly consult lawyers and other experts. So why would anyone consider buying expensive art without consulting an art adviser? You wouldn't drill for oil without consulting a geologist. By the same reasoning, it would be folly to go it alone and buy art without seeking out the opinion of an adviser. Full disclosure: I'm an art adviser, so you might expect me to say that. However, since I've seen far too many deals gone wrong because of the lack of expert advice, I feel that consulting an art adviser is the best way to go. If you want to shortcut the learning curve, get the most out of collecting, prevent errors, buy the right work at the right price and make a safe investment, call in an art adviser.

Art advisory services aren't new. For centuries, the rich and famous have used consultants, although most of them had other professions. Catherine The Great, for example, enlisted the help of Denis Diderot, the philosopher, encyclopedist, and art critic, to buy whole collections in bulk at discount prices. Mary Cassatt, the famed American Impressionist painter, had the ear of the Havemeyers and built a fantastic collection they bequeathed to the Metropolitan Museum. Let's not forget Bernard Berenson, the renowned art scholar, who shared clients and profits with the art dealer Joseph Duveen.

Today, in response to the mushrooming numbers of collectors, art advisory is a burgeoning business. The problem is finding a reliable adviser. Since

there are no academic courses or tests required to go into business, you have to be careful. I can't tell you the qualifications of most advisers or what they do; I can only describe what I would expect from a good adviser.

To begin with, our firm, Guggenheim, Asher, Associates, does as much or as little as our clients require, which usually depends on how far along in the process they are. If you're starting out, you'll probably want to be educated and, especially in the beginning, want us to watch your back and prevent you from buying worthless, overvalued or misattributed art. If you've already bought art or are a sophisticated collector, you may want us to source works by hot artists or help refine your collection and help you change direction.

The cast of players involved in the process includes some of the most interesting and colorful people you'll ever meet: gallerists, private dealers, auction houses, scholars, advisors, journalists, and museum curators and directors. Except for advisers, who work solely with the client's interest at heart, all the rest have their own agenda. They're all trying to "sell" you something. The old adage, "Buyer Beware," still holds. What they're selling may not be what's right for you.

Take the dealers, for instance. No one knows their artists better than they do, and listening to them expound can be enthralling. Yet, you need to realize that their goal is to sell you something from their

inventory which they've paid for in advance or have on consignment from artists or collectors. As paintings become increasingly expensive, it's difficult for a lot of dealers to maintain an inventory. Many are putting themselves out there, therefore, as "dealer/advisers." While it may be possible to be both, I would imagine that conflicts of interest must arise. It's in a dealer's best interest to sell you the art on which he can make the most profit. If he can sell a painting and make a substantial profit, why would he sell it to you at the slim profit an adviser charges. It's also unlikely that a dealer would introduce you to another dealer unless he's controlling the situation in some way. Would Macy's send you to Bloomingdale's?

Auction houses are another source of works of art, but buying at auction can also be fraught with problems. The house employees, who interestingly are called "experts" by the auction houses, may come across as wanting to help, and they probably can. But remember, they're not selfless. They work for the consignors and themselves and their goal is to make you bid on something and bid high. If they advise you against something coming up for sale, don't think they're altruistic. No doubt they'll try to get you to buy something else. If they don't do either, they'll, without doubt, get fired.

Auction houses want you to think that everything they sell is vetted, that the price will fall within their estimates, and that you needn't do any due diligence. Far from it. As for vetting material, please remember that the auction houses are cataloguing hundreds of items a sale season, and they don't have time to do all the things necessary that you would do for one object. This is where your art adviser will earn their fee. They will go into overdrive conducting due diligence, including calling experts, bringing in independent conservators, etc. And as for auction estimates, they may be what the house thinks is right, but often they're not. Estimates that are too high may be the results of an insistent greedy consignor, and estimates that are too low may reflect an anxious seller or the house assigning them as a way of attracting bidders who otherwise might be scared off.

Many museum curators and directors would love to be your adviser, but there are drawbacks with them, too. They may know the scholarship of a field and enjoy taking you to all the art world events, but most have no knowledge of the art market. In stark contrast, an adviser will know how much a specific piece of art is worth, when the last one was sold privately and at auction, what the condition was, prices brought, and what's happening on the market concerning a particular artist. Individuals start collecting for different reasons. Some begin when they buy or

move into a new home or apartment and want a few paintings to "finish it off." Some continue collecting, others don't. Others know they want to collect from the get-go, and of those, some only want works that are the best of the best, regardless of period, nationality or medium. These collectors couldn't care less about where they're going to put this art, whether it's in a Freeport or the lavatory of a superyacht. Other clients go for works that are undervalued in markets such as 16th-century bronzes. Unfortunately, dropping the fact that you have an important Susini is not for everyone. To the contrary. Many people want works by artists whose names they can drop at parties.

Helping clients identify and implement their strategies is paramount for an art adviser. I feel that every collection should reflect the individual and his taste and not that of the adviser, dealer or curator. Collections also reflect their times. Collectors' appetites have changed dramatically over the past 60 years or so, and those changes are reflected in the market. After World War II, US soldiers from the European theater brought back to America a taste for all things French. Impressionist paintings and Louis furniture were highly sought after. Fast forward twenty years. In the 80s, tastes changed, and English furniture and academic 19th-century painting and American 19th art were hot. Today, taste has veered toward mid-century furniture and contemporary art, almost to the exclusion of all else. This is evident now when you look at charts which show that auction sales of contemporary art have regularly eclipsed Impressionism in terms of dollar volume.

Like the song in Gypsy, "You Gotta Have a Gimmick," taking a point of view that's peculiar to you can go a long way. A client of ours who was in the consulting business when we met had an affinity for process. We suggested that he collect drawings by sculptors that were all about process. He was off and running, and before long his collection travelled to numerous museums and was the subject of a catalogue.

As he became more successful, he added sculptures to the collection for which the drawings were preliminaries. Another client of ours, Kathy Kennedy, a filmmaker, and her husband, Frank Marshall, also a film-maker, view their lives as being socially responsible, so when we showed them social realist paintings, done during the war, they were hooked. They went on to collect not only the paintings but sculptures, books, prints, photos, furniture and even pottery from that period.

# Marine and Natural History Photography Graduates Falmouth University

by Kevin A Murphy

The future of our small home planet is uncertain. We exist in a critical time for the survival of many of our earth's living beings and ecological systems. As modernisation rapidly shifts our relationship with the natural world, there has never been a more vital time to effectively convey messages focussed on the importance of nature. Whether it's celebrating its beauty, documenting its demise or telling stories about its conservation, Orbis aims to use visual media to improve our relationship with our natural world.

As a collective, we believe photography, film, art and visual media in its broadest sense has the power to create real change, towards a society that coexists in harmony with our environment and fellow species.

Orbis is a collection of work from final year Marine and Natural History Photography students at Falmouth University.

Falmouth University is a specialist University for the creative industries based in Falmouth and Penryn, Cornwall, England.

On 27 November 2012, the University College Falmouth was granted full university status in a move that furthered its ambition to become one of the top five arts universities in the world.

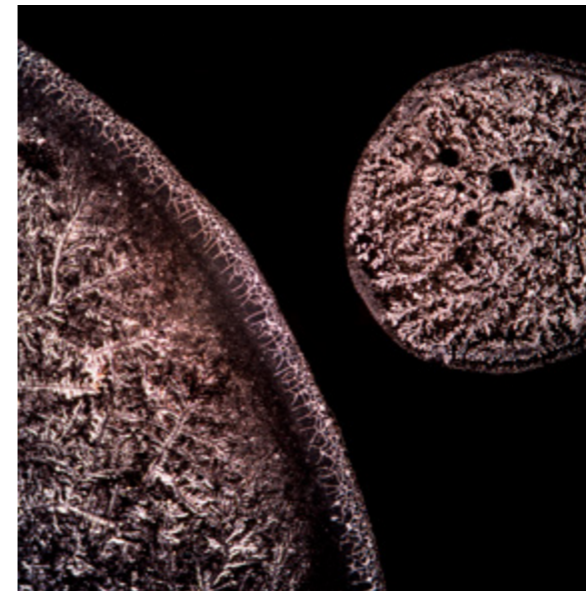
Dr Daro Montag MNHP Course Leader said *"Although the Marine and Natural History Photography course at Falmouth University is only in its twelfth year it has already created quite an impression. Students travel to all corners of the planet to discover and document the important environmental and conservation issues. Photographs and films examine the global narratives such as climate change, species extinction and oceanic pollution as well as more local stories including re-wilding and food foraging."*



Jack Miffin: 'The Primitive British Goat'  
Explores the beauty of the species



Frances Eyre: 'Biome'  
A combined collage of science, facts and new discoveries



Lucy Renaud: 'A Piece of Me'



Austin Ferguson: 'Lifblood' explores the story of



Irene Mendez Cruz: 'Man O' War' focuses on the alien-Looking shapes rather than its venomous



Karl Davis: 'The Landscape of Consumption'  
Depicts over manufactured environments and their perpetual process of consumption

# Secret Commissions in Art Transactions Risks & Safeguards



by Phoebe Kouvelas, LL.M.

Art sales have traditionally been facilitated through the use of third parties. The problem arises, however, where the existence, role and remuneration of multiple intermediaries in a transaction are not disclosed to the principal be it the seller, buyer or both. In fact, direct sales between a seller and a buyer are now the exception rather than the rule, and it has become the norm to expect as many as 10 intermediaries to be involved in a transaction of high-value art. Among other things, multiple intermediaries can trigger confusion as to who any given agent represents, in what capacity, with whose authorization, who is responsible for paying the agent and the amount of their fee. With confidentiality often cited as an excuse to avoid disclosure to the principals of the existence and role of any given intermediary, conflicts of interest inevitably arise with serious consequences for all involved.

## THE STAKES ARE HIGH FOR COLLECTORS

The engagement of multiple undisclosed intermediaries can prove disadvantageous to collectors. For one, it can result in significant transaction costs when artworks are offered through successive dealers with commissions added by every intermediary. In such case, a buyer is likely to be defrauded when they pay for an artwork at an inflated price due to undisclosed commissions to any number of intermediaries.

From the point of view of the seller, the risk of being defrauded is also significant. It is quite often the case that the owner has not authorized their advisor to use third parties (sub-agents) in order to identify prospective buyers or even that the owner has not



placed their artwork on the market for sale in the first place and is unaware of the fact that it is circulating by multiple agents for sale, all purporting to have a direct link to the owner. Such practices can have a detrimental effect on the value of an artwork. Collectors are willing to spend significant amounts on art partly due to the fact that any given artwork is considered desirable and only a select few can own it. The value of a work of art that is circulating in the market and remains unsold (often because none of the intermediaries has access to the owner or simply because the owner has not mandated anyone to sell) can be considerably compromised and therefore savvy collectors must be very careful about how they offer a piece of their collection for sale.

Additionally, conflicts of interest arise where sellers agree to a net sale price with their advisors, allowing the latter to profit from any difference above the net amount. The risk here is that the advisor will be inclined to have the artwork undervalued in order to increase their own profit or in order to pay undisclosed commissions to various intermediaries unknown to the seller (or both). In the case of *Accidia Foundation v Simon C Dickinson Ltd (2010)*, the seller experienced this the hard way when it received only US\$ 5 million on a US \$ 7 million sale of their art after several intermediary commissions were paid. The English High Court, however, opposed such practices. It ruled that the practice of net return price “would be objectionable as being unreasonable and unlawful unless it were concluded with the fully informed consent of the principal seller or the dealer accounted to that principal for the secret profit secured.”

## INTERMEDIARIES RUN RISKS AS WELL

Intermediaries in art transactions whose existence is not disclosed and whose role is not transparent run legal and financial risks as well. For one, the bigger the chain of intermediaries who help locate prospective sellers or buyers, the more likely it becomes that any of them will be circumvented after they have made

a key introduction which ultimately leads to a sale, resulting in potential financial losses due to unpaid commissions. In a similar manner, a sale that is facilitated by an unauthorized sub-agent, or the total commission earned by a string of agents exceeding the maximum commission allowed by the principal, can also lead to financial losses for the intermediaries involved.

But apart from lost earnings, intermediaries may face even harsher consequences where they operate with lack of transparency. Where they are deemed to owe a fiduciary (a legal obligation of one party to act in the best interest of another), acting in a way that breaches such duty can lead to loss and damage. Generally speaking, any action that does not put the principal's best interests first is likely to breach the fiduciary duty owed by the intermediary. For example, putting oneself in a position of conflict of interest can lead an agent to knowingly undervalue an artwork in order to increase their own profit or to retain undisclosed commissions; such practices will almost always be considered a breach of fiduciary duty.

## SECRET COMMISSIONS REVISITED: A RECENT DISPUTE

The complexity and severity of the issue of secret commissions has been highlighted by the multi-jurisdictional legal dispute between the Russian businessman Dimitry Rybolovlev and the Swiss art dealer Yves Bouvier. The case involves the sale of 38 paintings to Rybolovlev with every transaction engaging a chain of intermediaries not disclosed to the buyer and resulting in fraudulent price mark-ups of around \$1bn due to unauthorized secret commissions, as Rybolovlev alleges.

The result and legal implications of this case remain to be seen when the various courts rule on the merits of the case. What is worth noting here is that the deciding point will be whether Bouvier was dealing as agent for Rybolovlev, in which case he owed a fiduciary duty to his client, or whether he was dealing at arm's length, acting in his own interest, with a view to maximizing his own profit, in which case he will be deemed not to owe a fiduciary duty.

## HOW CAN COLLECTORS BE PROTECTED?

To legally protect themselves from the negative consequences of undisclosed commissions, collectors can act pro-actively:

- Consignment Agreement. Where collectors consign a piece of art to a dealer for sale, a carefully drafted consignment agreement has become a

necessary endeavor. Among other issues, such agreement should be clear about the dealer's responsibilities and compensation and whether and how the dealer can compensate intermediaries in the course of the sale. A clause providing for a disclosure requirement or limit of related payments the advisor may collect is also wise to include.

- Net Price Sale. Where an owner enters into a consignment agreement with a dealer on a “net price arrangement”, the consignment agreement must place a cap on the total amount of commission retained above the net price. If there is no such cap, then the consignment agreement must include clear language that the owner is satisfied with the net price (specified in the agreement) and that the dealer is authorized to retain all monies above the net price, irrespective of the amount.

- Sale & Purchase Agreement. Where a seller and a buyer enter into a sale and purchase agreement directly with each other, terms in such agreement must include protective warranties and provisions relating to commissions.

## HOW CAN INTERMEDIARIES BE PROTECTED?

Intermediaries can also act pro-actively to ensure their interests in an art transaction are safeguarded:

- Non-Circumvention Agreement. Where multiple intermediaries are involved in high-value art transactions, it is wise to enter into a non-circumvention agreement, especially where the intermediary has no direct link to any of the principals. Such agreement ensures that the intermediary will be compensated for any key introduction they make which leads to a successful sale and that they will not be circumvented after having rendered their services.

- Introductory Commission Agreement. It is wise for intermediaries to enter into an introductory commission agreement which will clearly state the manner and amount of compensation payable in order to avoid situations where the intermediary suffers financial losses due to unpaid commissions.

Clearly, lack of transparency in art transactions not only has ethical implications but also poses legal and financial risks for all involved. Both principals and intermediaries must be aware of those risks and seek advice on how to best safeguard their interests.

*Phoebe Kouvelas is a lawyer specializing in art, IP and cultural property matters. She is partner at ArtSecure, a law firm offering legal services for the art world.*

[www.artsecure.gr](http://www.artsecure.gr)



by Betsy Bickar  
Art advisor  
Citi Private Bank's  
Art Advisory & Finance group

## Collecting Art with Passion A Strategic Approach

"Buyer Beware" is a term that seasoned professionals often use when talking about the art market. Unlike traditional portfolios such as stocks and bonds, art can be a complex asset which carries unique risks, but one which can also bring incredible rewards, both financial and nonmaterial. In our experience at Citi Private Bank Art Advisory & Finance, the collectors who generally see the highest return on their purchases are the ones who have educated themselves over many years about what they are buying, collect out of a true passion, and ultimately allow their knowledge and informed intuition to guide them in buying decisions. The process is somewhat of an inverse relationship: buying art purely for expected asset appreciation has a negligible chance of resulting in significant financial gain, but collecting out of passion with research and guidance can certainly lead to a positive return on an art purchase. Moreover, the latter approach provides the priceless benefit of owning a respected and thoughtful collection for emotional and intellectual enjoyment.

For some, art has global appeal as a hard asset, especially in the face of foreign currency controls and market fluctuations. It can also function as a way to store wealth abroad in certain instances. The top blue-chip artworks sold at Christie's and Sotheby's outperformed commodities when measured over the period of 2000-2015, with an estimated compound annual growth rate (CAGR) of 14.4% per annum. However, art as an asset can generate carrying costs, tax implications, trust

and estate planning issues and almost no liquidity. Art can be an insider's game; the market for art is opaque and unregulated with a significant barrier to entry, despite the fact that anyone can go to an auction house or gallery and purchase a piece of art. Which artworks should one buy - the masterpiece on the cover of a catalogue, the rare yet unknown work by a major historical artist, or the piece by the hot younger artist who will be the next big thing? How much should one pay? What will the future value be - if one is able to re-sell the work at all in the future? How does one identify and get access to the best artworks?

Unlike a portfolio of stocks and bonds, diversifying an individual's art collection is a complex process, as it is composed of unique objects with relatively unpredictable resale performance. Choosing quality over quantity, in fact, is generally a more reliable approach than diversification when building a collection. Prices for blue-chip art over the long term have been less volatile than equities, and well-chosen objects generally at least hold, if not increase in value in nominal terms over time.

Value can be a subjective term as it relates to art. It can be a moving target, and like real-estate, the price someone is willing to pay ultimately becomes the true value. In today's market, it is estimated that over half of worldwide art transactions are conducted privately, with no public record of price paid. Art that is purchased at auction is public record and provides hard data for future comparables;

however, the remainder is subject to speculation. Transactions of up to \$300 million for a single work of art have been reported in the press in recent years, and although those numbers are quite possibly real, the veracity is unsubstantiated.

Global art sales totals are difficult to determine with accuracy - it is estimated that total worldwide sales of art ranged somewhere between \$45 and \$57 billion in 2016. In the first half of 2017, Christie's, a private company, reported a combined sales total of £2.35 billion GBP (\$3 billion) across categories, and Sotheby's, a publicly traded company, reported a sales total of \$2.83 billion. Smaller auction houses, gallery and artist sales make up the remainder. These sales can happen at art fairs, in galleries, artists' studios, on Instagram, or at a dinner party among friends.

US resident buyers remain the largest group of purchasers in the art market, representing roughly 40% of all transactions by value. The second largest market was the UK, at around 21%, followed by China at approximately 20%. In the past ten years, the art market has transformed itself, fueled by a powerful marketing reach of mega-galleries and auction houses, coupled with social media and increasing globalization. Just as with any trend, tastes can change quickly, and old art-historical metrics of quality may be out of sync with market demand. Marketing tactics have become increasingly sophisticated; exclusivity, relationships, auction guarantees, and inventory control rule the art market and learning how to navigate it can take years or even decades.

Research is the name of the game when buying art: who, what, where and when. Objective guidance can offer a new collector a toolkit to analyze potential purchases throughout his or her lifetime, and ownership can, under certain circumstances, be structured based on guidance from one's tax advisor in a tax-efficient way for heirs to create a lasting legacy and generations of enjoyment.

Due diligence, planning, objectivity, research, analysis and selectivity -- all galvanized by a true passion for art - can create a path to a meaningful and personalized collection while helping to avoid costly mistakes in a global and labyrinthine art market.

**Betsy Bickar is an art advisor in Citi Private Bank's Art Advisory & Finance group, which was formed in 1979. Betsy has 20 years' experience in the art world, and specializes in Postwar & Contemporary art, serving clients in North and South America, Europe, the Middle East, Africa and Asia.**

*i Anders Petterson, Managing Director, ArtTactic, and Adriano Picinati di Torcello, Director, Art & Finance, Initiative Coordinator, Deloitte Luxembourg, "Deloitte and ArtTactic Art & Finance Report 2016", 4th edition, [http://www2.deloitte.com/lu/en/pages/art-finance/articles/art-finance-report.html?id=lu\\_direct-email\\_art-finance-report-2016\\_21042016\\_external](http://www2.deloitte.com/lu/en/pages/art-finance/articles/art-finance-report.html?id=lu_direct-email_art-finance-report-2016_21042016_external)*

*ii Scott Reyburn, "What's the Global Art Market Really Worth? Depends Who You Ask.", New York Times, March 23, 2017, [https://www.nytimes.com/2017/03/23/arts/global-art-market.html?\\_r=0](https://www.nytimes.com/2017/03/23/arts/global-art-market.html?_r=0); Prof. Dr. Rachel A. J. Pownall, "The European Fine Art Foundation TEFAF Art Market Report 2017"; and Dr. Clare McAndrew, Founder of Arts Economics, "The Art Market 2017, an Art Basel and UBS report", <http://form.artbasel.com/s/theartmarket>*

*iii "Christie's Continues to Lead the Art Market in 2017" <http://www.christies.com/Features/Christies-half-year-results-for-2017-8461-1.aspx>*

*iv Colin Gleadell, "Sotheby's Boosts Private Sales But Loses Ground on Auctions in First Half of 2017", Artnet News, August 3, 2017, <https://news.artnet.com/market/sothebys-results-auctions-private-sales-1041635>*

*v Dr. Clare McAndrew, Founder of Arts Economics, "The Art Market 2017, an Art Basel and UBS report", <http://form.artbasel.com/s/theartmarket>*



by Wendy Zieger

## ART EDUCATION FOR FAMILY OFFICES

As family offices grow and their remit widens, they are increasingly involved in the investment and management of fine art.

Families who collect fine art may or may not have expertise in art-related matters, many often relying on other experts to guide them towards certain purchases. Having a general understanding of art history, the art market and how to care for and manage valuable objects is advantageous for family office personnel. Indeed, the recent 5th Deloitte Art & Finance Report highlighted the need for more education in collecting, understanding of fine art and the mechanics of the art world for those working in the sector.

Stonehage Fleming is one example where a dedicated art department exists, but most

working in this sector have entered from different disciplines, namely investment, finance, law, accountancy and so on. Not only do family office staff and advisors need to develop a sharp learning curve for themselves, they need to be able to guide and recommend excellent educational resources to their families.

There are art history degrees and diplomas, but these require a considerable commitment of time and funds. In recent years, open online courses (edX and Coursera to name two), have become more widely available, with some being offered by very reputable universities like Harvard University. However, most of these are self-paced and require a discipline to plod through a sometimes uninspiring online lesson.

Christie's and Sotheby's also offer education programmes and while most are not appropriate because of the time commitment, they do run evening or very short courses for those advisors who will be time poor. For a fee some of these courses provide college credits or certificates. However, they do not compare to expert instruction in a personalized setting. Intensive, short and flexible sessions, tailored to a particular collection or area of interest are best for advisors and their families.

Instruction also needs to be available in the right location to suit the office and the family. When it comes to the art collector and their families, the majority pass through London on a regular basis and look to attend museums, galleries or the opening of art fairs such as the much-admired Masterpiece and Frieze art fairs or PAD London and Lapada for design and antiques respectively. London offers some of the best opportunities for education due to the high concentration of experts and art historians ready to share their knowledge. Private Art Education is a very desirable option, particularly as it addresses many of the needs mentioned above.

Recently launched by Hanna Yakoleva, a Sotheby's Institute graduate, this is a highly flexible and scalable programme. Hanna and her team offer museum tours from medieval to modern for small groups based on a lively and friendly rotating schedule. Tours visit both permanent collections and travelling exhibitions in the London area. PAE is flexible in that tours can be booked on a one-off basis, or one can join as a member. Family members and advisors can join the VIP member programme on three levels. In addition to art education, they provide guest passes at various London clubs and VIP entry to the most

sought-after art fairs. At a lofty £3,000 annual fee, the Platinum membership is an investment but well worth having the 'full Monty' set up for the year alongside one's social calendar. It provides wonderful opportunities to meet museum directors, critics and industry leaders, making it a rich experience. With their 'meet the expert' £300 Option PAE also offers bespoke tuition in any subject taught by renowned experts in individualized fields.

The big question remains as to how art collectors and family offices educate the people that work for them in their homes and at sea. How does one train those that handle and care for their collections? All too often one hears of disaster stories occurring. Lack of knowledge can be expensive -whether it be a fist inadvertently thrust through the Rembrandt or the Pop Art Sculpture that was nearly trashed as unsuspecting crew dumped it in the waste bin when prepping up a superyacht for 'guest mode'.

"The Art World Revealed" presented by Pandora Art Services, is a one or two-day course offered around the world for office and concierge staff, yacht crew, lifestyle managers and family working for UHNW individuals.

The course, consisting of several flexible modules to fit audience requirements was developed after in-depth consultation with industry professionals, conservators and training experts in the yachting and luxury hospitality sector. Creator Pandora Mather-Lees feels it is important to teach art market values and art history before delivering the practical side. "All too often, damage and deterioration occur for valuable objects because staff simply don't realise what they are dealing with.





Book of Hours made as a wedding gift for Bianca Maria Sforza, Italy, Milan, 1493

## Newly Discovered Wedding Hours of Bianca Maria Sforza and Maximilian I of Habsburg: A Guide for Life

For tourists in Europe who wander through medieval towns with their narrow streets and church squares, a good guidebook (or tablet) is still indispensable. In Innsbruck, Austria, a guidebook would provide information on the cathedral and its sculptures, or about the Golden Roof. This Golden Roof is a famous symbol in the medieval town centre that was made for Maximilian of Austria to mark his wedding to Bianca Maria Sforza. The gilded roof covers a balcony, which served as a 'royal box', where the emperor and his wife could sit and observe tournaments and festivities on the square below.

In medieval times, the most important book to accompany one's travels, at home, in church, and everywhere else, was a small prayer book, a so-called Book of Hours. It was used like a talisman – for protection not only against the dangers of the road or

life in general, but also for guidance through the day, and for preparation for life in the hereafter. Every day all over Europe, the bells of towers and churches tolled at seven or eight special hours of the day, to indicate the time and summon people to prayer. As Latin was the common language for those who learned to read and write, these books usually included standard Latin prayers, but they could be personalised upon request.

A spectacularly important Book of Hours has recently been discovered, made for the emperor's wife, Bianca Maria Sforza, as a wedding present. This small format, lavishly decorated prayer book was given to her to accompany her on her way to the North, through the Alps, and into a new life far from the warmth and wealth of her ancestral palace in Milan, Italy.

The marriage of Bianca Maria Sforza (1472-1510) to the Holy Roman Emperor-elect, Maximilian I of Austria-Habsburg was arranged between Maximilian and the girl's uncle, Ludovico 'Il Moro' Sforza. The arrangement served both of their political ambitions: Maximilian had inherited his father's undivided power but was not yet crowned Emperor. He needed finances and safety for his coronation in Rome.

In return, Ludovico Sforza, the uncle and mentor of the bride, craved the ducal title of Milan. The present handwritten, illuminated prayer book was a special gift from Ludovico to his niece and was completed just before the famed marriage by proxy was celebrated with great pomp in Milan on the 30th of November 1493. Soon after, the official wedding was held in the Innsbruck on the 16th of March 1494.

The painted manuscript testifies to the excellence of Renaissance book art and shows how art was used to link social, religious, and political life. This extraordinary book represents highly important cultural heritage, conveying exceptional historical and art-historical value. It transmits rank through many cases in which the noble coats of arms of Visconti-Sforza-Savoy are combined with those of Maximilian. The jewel-like illumination was designed to honour and perpetuate the Sforza family bond after the bride followed wherever the emperor would bring her. From her finely painted book, Bianca Maria could pray for saintly support. At the same time, it would remind her of the warmth of the southern colours and the splendour of her native Milan.

This entire manuscript is a feast for the eyes and mind. It is lavishly illuminated with opulent Renaissance motifs in gold and saturated colours. Among the copious riches in secular references, the holy is never absent. Every detail is executed with precision.

There is a kaleidoscopic combination of gems and pearls in different settings. Other pages show dragons, mythical animals like griffins, sphinxes, dolphins, as well as skulls. The decoration on about 200 text-pages and all 15 full-page miniatures were executed by a painter, whose artistic context is intimately connected to the city of Milan, where artists like Donato Bramante, Leonardo da Vinci, and the De Predis brothers were active. The illuminator, dubbed the 'Master of Anna Sforza', as, a few years earlier, he had been engaged to illuminate manuscripts for the wedding of Bianca's sister Anna (1491).

This artist shows in our Book of Hours that he was familiar with other works made for the court in Milan. Intricately tied to patronage, this manuscript gives evidence of socially engaged art of the highest level, in an age that was one of the most critical periods in European development.

Details: Book of Hours, made as a wedding gift from Ludovico 'Il Moro' Sforza to his niece, Bianca Maria Sforza, upon her marriage to Maximilian I, manuscript on vellum, illuminated by the Master of Anna Sforza. Italy, Milan, 1493. 98 x 70 mm. 235 leaves. With 15 full-page miniatures, 14 of which are accompanied by an elaborately decorated text-page with full, historiated borders.

Image description:

Page opening, f. 36-37. On the left: Nativity set before an arch with portrait busts in roundels. A shepherd with sheep in the background points upwards to angels and the star of Bethlehem. Bas-de-page with reclining putto leaning on a vase and holding a serpent; flanked by fragmentary portrait roundels with inscriptions: QUI HABITAT and DICET DOMIN[...]. (Ps. 90:1-2 He that dwelleth, He shall say to the Lord). On the right: Office of the Virgin. Inscribed: 'AD PRIMAM USUM'. Opening text 'Deus in adiutorium meum intende'. Decorated capital D with a bust portrait of St. John the Evangelist (scroll, eagle). Illusionistic decorative border including an arch with profile roundel portraits in spandrels, boys in tunics and boots holding the fictive text panel and dancing with scrolls. Bas-de-page: Arms of the King of the Romans impaling those of Sforza and Savoy, flanked by scrolls and gems. Both pages are adorned with elaborate architectural designs.

Bio: With a team of specialists at the helm, Dr Jörn Günther Rare Books provides scholarly services, expert advice, and long-term support on the development of collections, and the acquisition and sale of manuscripts, miniatures, and rare early printed books from the Middle Ages and the Renaissance. Dr Jörn Günther has worked with leading international museums and institutions, such as New York's Metropolitan Museum of Art and the J. Paul Getty Museum in Los Angeles, and alongside private collectors on a quest to create and develop their collections.

Further information:  
<https://guenther-rarebooks.com>



by Tazie Taysom, Lead Art Consultant, ARTIQ

## The current crisis in art education and its long-term impact

In May of this year, the incredible Rockefeller art collection went up for sale at Christie's in New York, with proceeds going to a wide variety of philanthropic causes. This great act of charity went on to spark wider reporting on the importance of art and culture within society; a timely reminder for us all. The likes of the Rockefeller collection, encapsulating exemplary brilliance throughout art history, from Impressionist delicacy to statement Chinese ceramics, reminds us that art comes in many forms: iconic and accepted, as well as confusing and new. Art is a record and a reflection of contemporary culture. Sometimes its true value only becomes visible from the standpoint of history.

We are all saddened and outraged when historical art falls victim to global conflict and strife, as Artnet reported recently, with reference to ISIS, 'UNESCO considers the intentional destruction of cultural heritage a war crime, but ISIS has been known to ostentatiously do just that. The group considers representational art idolatrous, and as a result, works of art at museums, mosques, and churches have become targets of its hammers, axes, bulldozers, and bombs.'

Artists themselves are also reacting to the delicate state of global culture and the invaluable nature

of defined creation expression. Iraqi-American artist Michael Rakowitz's winning commission, *The Invisible Enemy Should Not Exist*, displayed on the 4th Plinth in Trafalgar Square, is a series of works using irrelevant and found objects to recreate artefacts lost or destroyed through war.

Those who understand the value of art in the present day, as well as through history's lens – particularly educators, curators, academics and artists themselves – understand the importance of protecting the birth of art practice, right now and into the future, via art education. In 2006, the 84-year-old Kurt Vonnegut wrote a letter to a class of schoolchildren who'd asked him to visit.

He was too ill to travel, but offered the following lesson for life: 'Practise any art, music, singing, dancing, acting, drawing, painting, sculpting, poetry, fiction, essays, reportage, not to get money and fame, but to experience becoming, to find out what's inside you, to make your soul grow.'

So, art has a personal and spiritual dimension, as well as a cultural one, but the arts also have massive financial clout, a fact seemingly and strangely being ignored by governments. Generating almost £9.6 million an hour and accounting for 1.8 million jobs

in the UK alone, creative industries were worth £92 billion to the economy last year, whilst the UK also saw a 48.9% increase in export value from this sector between 2009 and 2014, compared to just 29.6% by UK industries as a whole.

So how is it that the English baccalaureate is currently being proposed in UK schools, constituting little more than a state-run slash on the arts, with English Literature, Maths and Sciences taking complete precedence over Art, Design and Music? Cuts to these latter subjects have already had a drastic impact, with compelling reports showing the most significant decline in take-up of arts subjects for decades.

A fully-supported, strengthened arts education programme in the UK would also impact on our health and wellbeing as a nation. The 2017 All Party Parliamentary report recently joined the arts conversation with some astonishing findings. For example, 67% of dementia sufferers had a reduced need for medication when engaged in art activities, with every £1 spent on arts education saving up to £13 in future costs. Art's ability to impact positively, and even transform people's physical and mental

health, is only sustainable if education provides an entry point into the creative industries. It's crucial, as the report outlines, to recognise that the conditions into which we are born, grow and work have a profound and lasting effect on our health and wellbeing.

If the arts are to survive, we must indeed seek to protect what already exists, but we must also keep making, creating and inspiring future generations. On May 8th, more than 100 of the UK's leading artists (including Tracey Emin, Rachel Whiteread, Phyllida Barlow, Anish Kapoor, Jeremy Deller and Antony Gormley) wrote an open letter expressing their grave concern over the exclusion of arts subjects from the new English baccalaureate. 'This means that young people are being deprived of opportunities for personal development in the fields of self-expression, sociability, imagination and creativity', the letter said. The truth is that the value of art in education is already proven for anyone who cares to look. To oppose that evidence is an act of wilful destruction that will bequeath a cultural void on our children. We must fight it at every step.

[www.artiq.com](http://www.artiq.com)



Michael Rakowitz's 'The Invisible Enemy Should Not Exist' on the 4th Plinth in Trafalgar Square (image credit AC Manley - Shutterstock.com)

# Naked Truth

## The Nude in Irish Art



William Orpen 'The Holy Well' 1916\_National Gallery of Ireland Collection,  
Photo © National Gallery of Ireland

Crawford Art Gallery is delighted to present a major exhibition Naked Truth: The Nude in Irish Art. From mediaeval Sheela-na-gigs to the contemporary art of Dorothy Cross, the exhibition surveys the neglected subject of the rich tradition of the portrayal of the nude in Irish visual art. Focusing on the interconnecting discourses of political allegory, gender, sexuality, censorship and display, the exhibition features over forty artists including Francis Bacon, James Barry, Pauline Bewick, Amanda Coogan, Mainie Jellett, Dragana Jurisic, Alice Maher, William Orpen, Kathy Prendergast, Robert Ballagh, Sarah Purser, Nigel Rolfe and William Willes.

Curated by William Laffan and Dawn Williams the exhibition asserts the existence of a rich history of the depiction and necessity of utilising the nude and the unclothed body in the work and practice of Irish artists. The exhibition will feature over 80 works from public, collections including TATE, National Gallery of Ireland, Irish Museum of Modern Art and the Ulster Museum alongside artworks from artist's and private collections.

In recent times, the discussion of the Irish nude as subject matter has been said by some commentators, as not to exist, or at the very least to be an invention of the late 1970s. As recently as 2010, the artist Mick O'Dea could write: 'Even fundamentalist cultures have produced more nudes than we have'. Catherine Marshall would write in 2016 that 'despite a few paintings, such as Barrie Cooke's Sheela-na-gigs, there was no established genre of the nude in this country until Micheal Farrell's Madonna Irlanda in 1977'.

There has, in fact, been a long tradition of Irish artists painting the nude, with distinguished contributions to the genre by, among many others, James Barry, Hugh Douglas Hamilton, Margaret Clarke, Roderic O'Connor and Mainie Jellett. Indeed, there were enough Irish artists engaging actively with the subject matter to lend a helping hand to the artistic tradition of our neighbouring island.

The catalogue of the exhibition Exposed: The Victorian Nude (Tate, 2001) put forward as evidence for the emergence of a distinctly English nude works by Irish artists including, ironically, Daniel Maclise Origins of the Harp and, in particular, the art of William Orpen and William Mulready, noting of the latter that 'the Irishman came to be regarded as the modern master of the English nude'.

Acknowledging the large number of artists who have

engaged fruitfully with the nude is not to deny that, at times, the Irish have had a problematic relationship with the corporeal and that, inevitably, this has impacted on artistic production. When the provision of an art school in Cork was being discussed in 1818, one of the suggested benefits was that young artists would not have to travel to London to study where they would be faced with 'drawing from living models, before the morals are matured'.

The denial of a tradition of the Irish nude is usually, if implicitly, linked to the prominence of the Catholic church forgetting that some of the greatest nudes in Western art such as Velázquez's Rokeby Venus and Goya's Nude Maya were produced by Spanish artists with the Inquisition rather than Archbishop McQuaid (1895-1973) to contend with.

This is not, however, to say that the display of the nude in twentieth century Ireland was not uncontentious – the subject has, for example, traditionally formed a small (though not entirely negligible) proportion of the RHA Annual Exhibition exhibits. The first exhibition of the Irish Nude, a modest, rather tentative show of just fourteen works, was held as part of Rosc '71 and included works by Patrick Collins, Colin Middleton and George Campbell and one woman artist, Camille Souter. In an accompanying text tellingly entitled The Puritan Nude, Brian O'Doherty posited a defensive relationship between Irish artists and the subject arguing that artists including Louis Le Brocqy and Patrick Collins 'poeticise indistinctness' meaning

that 'the subject is 'touched, summoned, and then avoided by partially loosing it in an environmental veil'.

Of course, there were artists painting the nude at exactly this period who certainly did not adopt indirect as O'Doherty terms 'strategies of avoidance'. Irish artists have used the nude and unclothed body to explore a large number of themes, from the personal to political, from sexuality to display. The upturn of the perceived 'natural' order of men being artists and women being models, mistresses and wives, is illustrated in some of the most exciting changes in the presentation of the female nude having been introduced by women and the exhibition features work by formidable artists including Dorothy Cross, Amanda Coogan, Sarah Purser and Megan Eustace.

With the commercial ideal body of the 21st century at odds with the works being produced by artists created to confront today's attitudes and anxieties, the naked and the nude is still a relevant and divisive subject matter in contemporary society.

Located in the heart of Cork city, The Crawford Art Gallery, a national cultural Institution and is home to an expansive collection featuring works from the 18th Century to present. It is also home to the famous 'Canova Casts', which were gifted to the city of Cork nearly two centuries ago. Well-known and loved 20th century Irish artists such as Seán Keating, Harry Clarke, John Lavery, Jack B. Yeats, Norah McGuinness, Gerard Dillon, and Muriel Brandt feature in the gallery's historic collection,



Robert Fagan\_ -Portrait of a Lady as Hibernia  
©Private Collection.



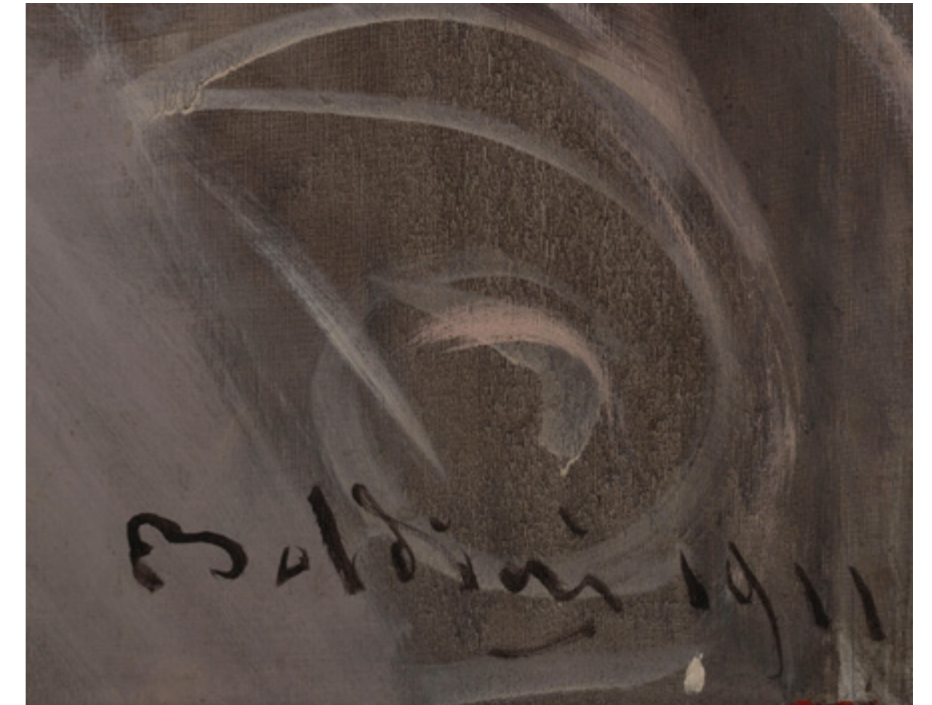
Amanda Coogan 'After Manzoni' (2000)  
©Amanda Coogan



Sile Na Gig RINGASKIDDY  
©Cork Public Museum



The Story Behind One of  
Boldini's Greatest Portraits  
By Bill Rau  
M.S. Rau Antiques



## Beauty of the Belle Époque

In 1911, Italian artist Giovanni Boldini painted a portrait of “the most picturesque woman in America.”

Rita de Acosta Lydig was a prominent 20th-century socialite. Born in 1880 and descended from the Dukes of Alba, Rita had the personality to match her lofty heritage. At the age of 19, she wed the eccentric multi-millionaire William Earl Dodge Stokes.

They divorced after just four years, and she was granted a record \$2 million settlement. She was soon after married for the second time to the wealthy and socially connected Major Philip Lydig, allowing her entry into the most fashionable circles of New York high society. She took her new moniker, “the fabulous Mrs. Lydig,” to heart, re-inventing herself as an exotic society beauty with a penchant for high fashion. Known for hosting decadent parties with a bohemian-esque atmosphere, the Lydigs moved in the same circles as Boldini and his

contemporaries. A woman renowned for her fiery personality, sensational style and unmatched beauty, Lydig served as muse for some of the most celebrated artists of her era. Having been captured in alabaster by sculptor Malvina Hoffmann, on film by the photographers Adolf de Meyer and Gertrude Käsebier, and on canvas by John Singer Sargent and Boldini, Lydig’s distinctive, upturned nose and vivacious visage are seen time and time again throughout art history. Boldini’s nearly 6-foot-high portrait is unarguably the best among these works.

The piece is currently on view at M.S. Rau Antiques’ French Quarter gallery in New Orleans, standing out with a brazen allure among Rau’s diverse collection of fine art. A work as monumental in size as it is in personality, she is unmistakably a woman with a story to tell.

There was perhaps no better painter to capture the beguiling Lydig as Boldini. Though he began his career as a landscape painter, by the 1890s

his output was almost solely dedicated to the most fashionable and wealthy beauties of the Belle Époque. Affectionately known as the “Master of Swish,” his exuberant, glitzy style was especially desirable among his increasingly fashion-conscious clientele. More so than even his great contemporaries James McNeill Whistler and John Singer Sargent, Boldini attracted countless beautiful, affluent, and pedigreed subjects, both with his flattering brushwork and his amorous attentions. The “Parisian from Italy” dominated the artistic scene, while his captivating subject Lydig charmed and delighted fashionable high society.

A renowned shopaholic and trendsetter, Lydig’s wardrobe in particular remains legendary among the fashion elite. She viewed each dress and every shoe not as a practical garment, but rather as a work of art. Dismissive of the popular mode, she dressed herself in neutral tones of black and white, preferring velvet and lace to pastel satins. Her gown in Boldini’s painting was seamlessly made from a single piece of 11th-century lace – a delicacy for which she had paid an incredible \$9,000, a huge sum for her day.

Yet, her ultimate extravagance were her shoes. She owned over 300 pairs, each custom-made by the exclusive designer Pietro Yanturni from rare luxury materials such as early medieval velvet and antique lace. Lydig’s influence as a fashion icon lives on in the Metropolitan Museum of Art’s Costume Institute – it was her wardrobe that formed

the basis of the Institute’s collection when it first opened its doors. The sensational impact of her couture – not to mention her charisma – is brilliantly captured by Boldini’s perfectly placed swirls and swishes, while his neutral palette only enhances her chic sophistication. Bedecked in monumental pearls and flowing white lace with cherry red lips, Boldini’s Lydig is an entrancing sight to behold.

The portrait undoubtedly wove a spell over Lydig herself; though her beauty and fortune faded and her estate was in shambles towards the end of her life, she never sold the large-scale canvas. It wasn’t until after her death in 1929 that the portrait changed hands - Baron Maurice de Rothschild, a great admirer and collector of Boldini’s work, acquired it in 1931, and it remained in the illustrious Rothschild collection of art until 1995. Since then, it has been exhibited in both Italy and the United States, dazzling museum-goers and art lovers on both sides of the Atlantic.

In the century since its creation, the work has taken on a new significance. Beyond the brilliance of its creator and intrigue of its subject, today it also reveals a mesmerizing glimpse into a bygone age. With this portrait and others, Boldini built a lasting tribute to the Belle Époque that he helped to immortalize. The glamorous fin-de-siècle glitterati continues to seduce through Boldini’s canvases, and Lydig’s visage continues to dominate any room she enters. One can only imagine her pleasure at the thought.



TIMELESS  
GALLERY



WWW.TIMELESSGALLERYGROUP.COM  
INFO@TIMELESSGALLERYGROUP.COM

# Imagine!

## A World Where Art Can be in More Than One Place

In addition to new VR technology, physical re-creations mean art owners are starting to live the dream, not the dilemma, of deciding where to keep their collection.

With 47% of Wealth Managers reporting that luxury investments, like art, are becoming more popular, the art market continues to grow and looks optimistic for the road ahead. Seen as an increasingly desirable investment, it often pays to keep a collection in the safety of a storage facility, like LE FREEPORT Luxembourg. However, the majority of art professionals still report that 86% of collectors buy primarily for emotional reasons and are passionate about collecting. So here is the dilemma, store your precious collection in the best possible conditions or admire your artwork at home and worry about the safekeeping (and insurance premium)?

Like most industries, the art world is seeing shifts and developments under the influence of technology. From using Virtual Reality to developing physical solutions, we are starting to discover answers to the above dilemma. One solution is to digitally re-create and print replicas of artwork that can be enjoyed anywhere. To help collectors strike the perfect balance between securely storing art and admiring it in their home or their yacht, Fine Art Logistics Natural Le Coultre

(FALNLC) has partnered with Arius, a Canadian art technology company, to do exactly that.

FALNLC is based at Le Freeport in Luxembourg; one of the world's most advanced art storage facilities. They take pride in sharing their customers' passion for their artworks and have fine-tuned every process to make sure they provide maximum safety with minimum stress. From the moment a piece of art changes hand, FALNLC steps in with their specialist handling, packaging, and logistics services to ensure a masterpiece reaches their highly-secure facility in perfect condition. They also offer essential maintenance services, like framing, restoration, photography, and events for showing pieces to private audiences. Their clients include museums, galleries and art investment funds, as well as private collectors.

Many collectors would be, and are, happy to loan their artworks to museums that can also provide safe, controlled conditions which meet the requirements of their art insurance policies. However, the idea of loaning artworks is met with museums' own storage woes of having too much art to display. Reportedly, Tate displays only 20% of their collection, The Louvre only 8% and the Guggenheim a surprising 3 %.



FALNLC's fine art handlers prepare a painting for scanning



Every brushstroke of Vincent van Gogh's 'Iris' has been re-created with Arius' world-leading technology.

Concerns that locking art in safety boxes perverts the very essence of what art is supposed to do is unfortunately met with limitations on where such art can be displayed to the public. Therefore, opportunities to re-create durable copies allow art to be shared with more institutions than ever before.

Arius' fine art re-creation services allow museums, artists and collectors to reproduce the colour and geometry of every brushstroke, in the form of textured print. Not only can these works be enjoyed in the homes of collectors, printing multiples would allow art to be shared with their family and even offices or classrooms, where there is no requirement for climate and humidity controls. Meanwhile, the original can be kept within the safety and security of a facility like Le Freeport, preserving it for generations to come.

The high-fidelity reproductions are created using Arius' world-leading 3D scanning technology to digitize artwork, before data is processed for printing. Developed in collaboration with museum conservators and art handlers, Arius' system boasts safety features

that have been developed to protect the likes of Van Gogh and Monet masterpieces. Hundreds of millions of data points are collected, recording detail as fine as one-tenth of a human hair. "It's the richest reprographic technology on the planet," says Stephen Gritt, Director of Conservation and Technical Research at the National Gallery of Canada.

Being able to protect and preserve a piece of art, as well as being able to enjoy and share the art with people is a huge opportunity for collectors to not only enjoy their artwork but to further their patronage. They now have more opportunities to support artists through greater visibility of their works, as well as to have a greater impact on society by allowing people to see and learn about their otherwise out-of-bounds artworks.

Visit [www.falnlc.lu](http://www.falnlc.lu) and [www.lefreeport.lu](http://www.lefreeport.lu) for more information about the state-of-the-art art storage spaces and value-added services.

Visit [www.ariusotechnology.com](http://www.ariusotechnology.com) for more information about art reproduction services for private collectors.

# The challenges of Art Wealth Management



Art vs Stocks - how do they stack up?

Is art really a good investment option when compared to stocks and bonds? Maybe. For certain sophisticated investors. In certain circumstances. Investing in a painting or sculpture is certainly not the be-all and end-all that many art fund managers claimed it to be in the earlier years of this millennium. Not surprisingly, many of those funds are no longer around today.

That's not to say that a knowledgeable collector can't do well in the art market. Art does have advantages when compared to other financial assets. For a savvy collector, for example, the asymmetry of information in the art market may actually work to their advantage. Quality art tends to hold its value, which makes it, in principle, a good inflation hedge. And of course, unless you store it in a vault in Geneva's free port, a painting has the benefit of looking good above your sofa, as opposed to a stock certificate.

But when viewed from an investment angle, art also has disadvantages that are often brushed over in the rush to sell a painting or to push an art finance product. For example, art is highly illiquid, which means that an investor may not be able

to sell at the right time of the market cycle in order to cash in on his investment. Art has exorbitant transaction and ownership costs. And lastly, the valuation of art is complex and comprises a large subjective component, commonly referred to as the 'passion premium'.

Do wealthy collectors buy art for pure investment purposes?

In my experience, the answer is more nuanced than that. Most collectors like yourself still buy art primarily because they love it. They connect with an artwork on an emotional or intellectual level, or they simply want to decorate their home with a statement piece, in the same way, that they would enjoy owning an antique car.

That said, these days investment is certainly a strong secondary motive for collectors. They simply want to buy smart (which means at the right time and at the right price) with the hope that their acquisition will increase in value over time - preferably while enjoying the art in their home.

Changes in the art market: art as a financial tool

What helps is that collecting art is easier for collectors today than it was a generation ago. International art fairs and online buy and sell platforms make art more accessible and easier to sell. The market is more transparent. Auction data is available to the general public, providing a collector with access to roughly 50% of price data (transactions through dealers and galleries, as opposed to art sold at auction, are not recorded). This data is usually not enough to trade confidently on their own but certainly helpful in negotiations with insiders.

Additionally, the increased transparency of the art market has allowed the art finance sector to grow significantly. Provided the art collection meets certain criteria, many private banks and speciality lenders allow their clients to use art as a financial tool: as collateral for bridge or longer-term loans, for example. In certain circumstances, 1031 exchanges (a real estate mechanism to defer capital gains tax) may be suitable for art collectors.

The challenge for wealth managers and private bankers

Whether art was bought for pure investment, out of passion or a combination of both is perhaps not even that relevant for our purposes. Simply by virtue of having been purchased, the art collection of many collectors is now a part of their overall portfolio, which could also include stocks, a private business or an investment property.



**Annelien Bruins COO**

**Tang Art Advisory**

# Friends of Florence

## Celebrates Two Decades of Supporting Cultural Heritage Preservation in Tuscany

This year, Friends of Florence (FoF) celebrates its 20th anniversary. The U.S. non-profit organisation based in Florence, Italy, is supported by individuals from around the world who are dedicated to preserving and enhancing the cultural and historical integrity of the arts in Florence and the Tuscan region. Since its founding by Renée Gardner and Simonetta Brandolini d'Adda, the organisation has raised and donated more than \$10 million for conservation projects. FoF works directly with Florence's famed conservators to ensure restoration is done at the highest level and with the approval of the City of Florence and the Italian Ministry of Art.

An essential part of FoF's work is supporting research and advancing the public's understanding of and appreciation for conservation practices and preserving cultural heritage. With the just completed cleaning of a statue in Florence's national archaeological museum, for example, the project was carried out in full view of visitors and resulted in the true identity of the statue being discovered. Cleaning away years of grime, the white marble figure that was revealed was the Greek goddess Aphrodite rather than the Spartan queen Leda as was thought.

In addition to projects, FoF also contributes to the maintenance of Michelangelo's iconic David at the Galleria dell'Accademia following its restoration in 2004, with regular monitoring and marble stability checks. Highlights of recent projects include:



Alessandro Allori (Florence 1535-1607). *Christ and the Adulteress*, 1577. Oil on panel, 380 x 263.5cm. Florence, Basilica of Santo Spirito. Photo by Foto Giusti Claudio

### Chapel of the Crucifix, Basilica of San Miniato al Monte

The Basilica of San Miniato al Monte has been described as among the most beautiful Romanesque structures in Tuscany and one of the most beautiful churches in Italy. The Basilica was founded in 1018 and celebrates its 1000th anniversary this year. Coinciding with FoF's 20th anniversary, work included the restoration various elements from the Basilica's interior and work on the exquisite Chapel of the Crucifix was completed this spring.

### Cappella Capponi, Church of Santa Felicita

The Capponi Chapel was designed by Filippo Brunelleschi for the Barbadori family. The Capponi family took it over in 1525 and Lodovico Capponi commissioned Jacopo Pontorno to decorate it in 1526. The restoration project comprised the dome destroyed in the 18th century; the four Evangelists painted beneath the dome with the aid of a young Agnolo Bronzino; the Annunciation frescoes on the façade and a large painting by Pontorno depicting the Deposition from the Cross, set in a gilded wooden frame carved by Baccio d'Agnolo on the altar. The restoration project was approved by the Soprintendenza Archeologia Belle Arti e Paesaggio per la Città Metropolitana di Firenze e le Province di Pistoia e Prato and also completed in spring 2018.

### Botticelli Room, Uffizi Gallery

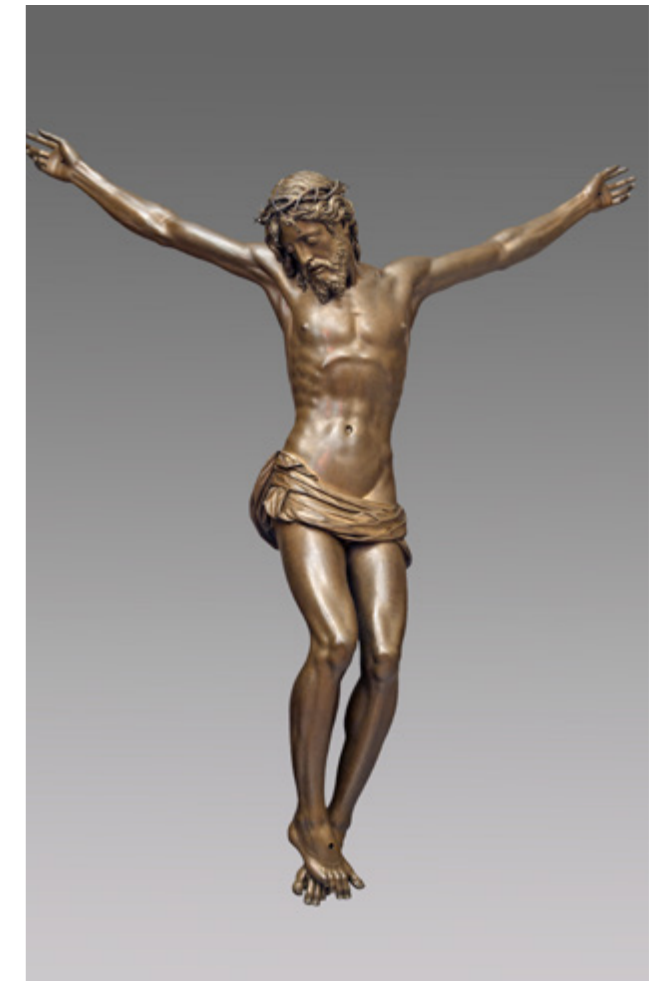
The internationally recognised Botticelli Room in the Uffizi Gallery reopened to the public in fall 2016, following a series of upgrades and retrofitting thanks to a significant grant by FoF. The 19 paintings by Sandro Botticelli, among the most widely recognised in the canon of Western art, remained on view during the process.

Among the most popular in the Uffizi Gallery's collection, masterworks like *The Birth of Venus* (c. 1482-85) and *Primavera* (c. 1482) were seen by some two million visitors in their temporary space over the course of the 16-month restoration of the Botticelli Room.

Features of the restored and newly installed galleries include improved lighting, extensive systems upgrades, new alarm system, and the replacement of discoloured glass framing the artworks with state-of-the-art glass that is more protective and technologically advanced. Several of the paintings not on view during the upgrade

was examined and, when needed, underwent conservation as part of the project.

Other recently completed projects include the restoration of six Italian Renaissance masterpieces featured in a major exhibition at the Palazzo Strozzi in Florence this past winter titled *The Cinquecento in Florence* from Michelangelo and Pontorno to Giambologna; the restoration of 12 superb lunette



Giambologna (Douai 1529-Florence 1608) *Crucifix*, c. 1598. Bronze, 200 x 170 x 53 cm. Florence, Basilica of Santissima Annunziata. Photo by Antonio Quattrone

frescoes, architectural elements, and marble statues in the Cloister of the Vows at the Basilica of the Santissima Annunziata; and restoration of Michelangelo's magnificent wooden crucifix (made when the artist was 18 and thought lost) and reinstallation in Santo Spirito, the church for which it was created.

For more information about Friends of Florence and their work, visit [www.friendsofflorence.org](http://www.friendsofflorence.org).





## Sculptor Dawn Rowland FRSS Interviewed by Pandora Mather-Lees

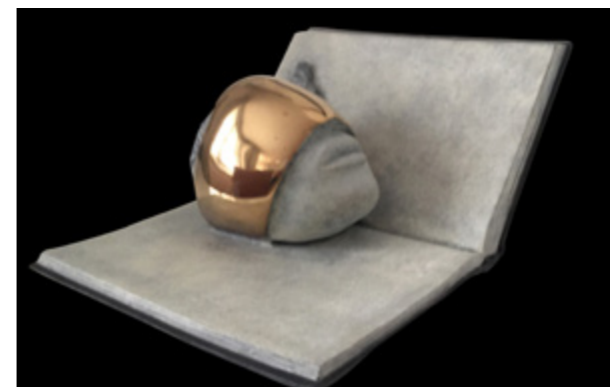
Being able to explore the fragility of relationships and quiet sentiment through the medium of monolithic stone is a rare skill. Henry Moore and Barbara Hepworth are celebrated examples of such sculptors with their abstracted, often colossal organic forms. Dawn Rowland's work, which must be seen in the 'flesh', excels in evoking this psychological force in her own somewhat more figurative style, whilst sitting comfortably within modernist British tradition. Her flat geometric

forms are devoid of the distracting self-awareness of some artists' works despite being almost entirely autobiographical. Her personal 'CV' as she describes it. Stylistically, this fits the Modern Classicist genre. Rowland's work is contemporary, but not post-modernist or Avant Garde by today's standards. It appears to shift between the ancient Near East, ancient Egypt, Modigliani and Brancusi with hints of Rodin as soft polished surfaces emerge from rusticated stone.



Three major works were accepted into one single RA Summer exhibition and the artist was presented to the Queen. She has been bought by major collectors and commissioned by hedge fund managers during a career spanning decades. It started while travelling between San Francisco and London as a newlywed with two young children and university professor husband.

Rowland spent two weeks at Camden Art School on a stone carving course and told her husband Malcolm; "I've fallen in love ... for the second time"! This was pretty much her only formal training. Her work stands majestically on its own without any introduction, although with all works of grandeur and mastery, we wonder what sits behind them and ponder the journey's origin. For Dawn Rowland each work is indeed a journey, carving directly in stone a single piece will take months. "I'm a direct carver" she says, standing slight and petite between two huge and foreboding pieces of black granite "which means that I draw directly onto the rock and



work from there, hardly ever with sketches and never with a maquette - and the piece may change course as I progress."

This means that collectors must have faith. Indeed, some have trusted in her ability to deliver from the "smallest of sketches". Seeing the sculptor in her studio one would be assured. The enriching experience watching this feminine, ladylike figure with wild curly blond hair and manicured hands donning bright red overalls, trainers and mask as she masterfully polishes and re-polishes the final touches to a monumental piece of stone, one beholds a creator of competence and flair at work. Amusingly a male sculptor is deemed to have said, admiring her work in the Royal Academy, "I can't believe that this was done by a woman!"

Making stone breath life and spirit to engage the viewer yet retain a primitive, heroic anonymity which stands the test of time is Dawn Rowland's legacy.

As an art historian one comes face to face with a vast spectrum of creativity and can become jaded. Sitting in Dawn's stunning home in leafy north London however is a dream. One never wants to leave - it is immaculate, contemporary and white, yet warm and calm with the air of a private museum. Her sculptures and bold life drawings are displayed artfully among others including her talented daughter's exceptional abstract expressionist paintings. One thinks the world missed out on an interior designer of amazing quality - thankfully this is the case, otherwise her sculpture would have been lost to us for ever, and that would be a tragedy.

# THE NORTH AMERICAN PREMIERE OF ISAAC JULIEN'S COMMISSION FOR THE ROLLS-ROYCE ART PROGRAMME TO BE SHOWN DURING ART BASEL IN MIAMI BEACH

Rolls-Royce Motor Cars, in partnership with the National YoungArts Foundation, will present the North American debut of Isaac Julien's work *Stones Against Diamonds (Ice Cave)* during Art Basel in Miami Beach 2015. The work by the Turner Prize nominated artist, commissioned as part of the Rolls Royce Art Programme, will be shown from 1-5 December 2015 at the National YoungArts Foundation – located at the nexus of Miami's Wynwood Arts District, Arts and Entertainment District and Edgewater. The video installation will fill the interior of the magnificent YoungArts Jewel Box across 15 screens, the largest and most impressive presentation of the work to date.

Isaac Julien is one of Britain's most important and influential artists. His work is the latest compelling addition to the Rolls-Royce Art Programme, founded in celebration of the marque's commitment to creating unique, rare and aesthetically powerful motor cars, which transcend the world of conveyance to become works of art themselves. The programme seeks to draw together the handcrafted elegance of the marque's motor cars with contemporary artists around the world, including internationally acclaimed artists Ugo Rondinone, Erwin Wurm, Regina Silveira, Will Cotton, Angela Bulloch and Morgan Wong. Julien's commission extends his ongoing relationship with the marque following an 'artist talk' that he gave as part of the Rolls-Royce Art Programme during

Frieze Art Fair London in 2012.

"Isaac Julien is one of Britain's foremost contemporary artists. His work draws from and comments on a range of disciplines and practices, uniting them to create powerful and entrancing works of art, in this case, a dramatic audio-visual film installation for Rolls-Royce," commented Torsten Müller-Ötvös, Chief Executive Officer, Rolls-Royce Motor Cars. "The origins of our motor cars, commissioned in the same vein, share this spirit. An amalgamation of creativity, skill and the world's most beautiful natural materials unite to form a timeless piece of automotive art."

Isaac Julien, artist commented, "On visiting the Home of Rolls-Royce last year, I observed an authentic connection between crafting a Rolls-Royce car and creating an artwork. Both call for highly developed technology and techniques, extreme attention to detail, design and, of course, concept." He continued, "The creation of this film echoes the endeavour of crafting a perfect motor car. Indeed, my work unfolds as a sort of craftsmanship, in the sense that I am concerned with reaching a level of skillfulness that aspires to represent the century-long traditions of handicraft expertise."

To create the Rolls-Royce commission, Isaac Julien took a film crew of 50 to the wilderness of Iceland, where they filmed for five days in isolated glacial



Isaac Julien  
Contemporary Artist

ice caves in the South East region of Vatnajökull. The artist interpreted this remote landscape as a metaphor of the unconscious, a place of rich beauty but difficult to access other than through the processes of psychoanalysis and artistic reflection. The work was inspired by a passage from a letter taken from the anthology *Stones Against Diamonds*, written by the seminal modernist architect and designer, the Italian-born Brazilian Lina Bo Bardi. Julien's work of the same name explores themes within this text where Bo Bardi admires the beauty of natural elements over precious stones, believing them to be more beautiful, and describing how collecting semi-precious stones helped inspire the architect and designer to rethink design in a most remarkable way. Signature elements of Bo Bardi's work have left a lasting impression on both international architects and designers. Julien's film installation incorporates her famed spiral staircase at Solar do Unhão in Bahia, Brazil; the first stage meticulously built on set in sub-zero temperatures, later continued and then merged using CGI post-production. Furthering the parallels, Julien includes Bo Bardi's signature easels which are made of glass and concrete, two elements present in the majority of her practice. Julien references these in both the film itself and in the presentation of his work, where the film is shown on flat screens and supported by concrete blocks.

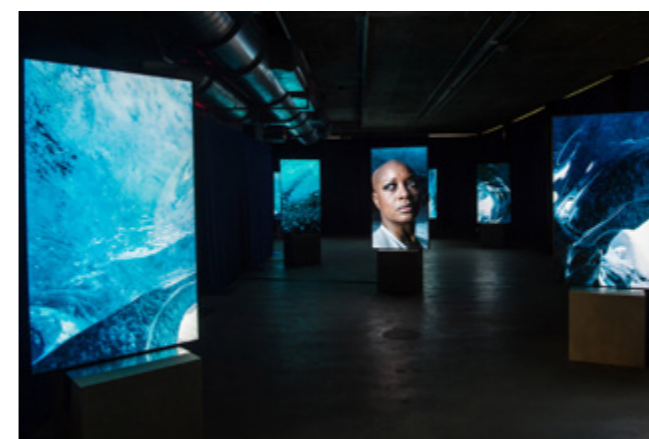
Vanessa Myrie, an actress and performer who has worked on several of Julien's previous projects such as *True North* (2004) and *Western Union: Small*

*Boats* (2007), appears within the piece as a 'spirit guide', making reference to the Spirit of Ecstasy, the ornament that adorns the bonnet of each Rolls-Royce motor car. As if sleepwalking, Myrie takes the viewer on a mesmerising journey across a symbolic landscape of glaciers, rocks and black volcanic sands, all glistening like diamonds. Julien uses this to remind us not only of the earth's fragility – the melting of the glacier which carves out these caves – but also that some of the most beautiful objects are the least precious in a conventional sense.

The work will be shown within the landmark Jewel Box at the National YoungArts Foundation campus in Miami. The Jewel Box, designed by Ignacio Carrera-Justiz in 1973, features an exterior covered in thick hammered stained glass 'tapestries,' and is based on an abstract painting by German artist Johannes Dietz.

The National YoungArts Foundation, identifies and supports the next generation of artists in the visual, literary, design and performing arts; assists them at critical junctures in their educational and professional development; and raises appreciation for the arts in American society. YoungArts has been a partner of Rolls-Royce NA since 2014.

Originally shown as a preview during the 56th edition of La Biennale di Venezia, the film installation had its public debut during Art Basel in Basel 2015 before being shown at The Home of Rolls-Royce in Goodwood, England.





## DO YOU KNOW THE VALUE OF YOUR JEWELLERY BOX?

Art & Museum Magazine Interview Julia Castelli, the Sales Director of Sotheby's Jewellery Department

AM: How is the Jewellery Auction Market doing in the context of today's global economy?

JC: Today, the auction market for fine jewels and gemstones is stronger than ever with demand for top quality and signature pieces coming from all corners of the world. In 2016 the company auctioned more than USD 500 million worth of jewellery across the company's global auction



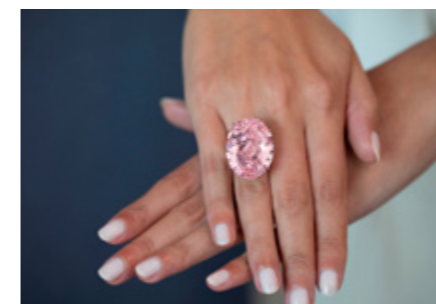
rooms and saw countless new auction records established. Earlier this year, Sotheby's set a world record auction for any diamond or gemstone when it sold the "CTF Pink Star" - a 59.60-carat oval mixed-cut Fancy Vivid Pink Internally Flawless diamond - for an outstanding \$71.2 million. What's more, our flagship sale in Geneva in May was the highest totalling Jewellery auction of all time. And buyers/bidders came from more than 70 different countries; we've seen an influx of new buyers to our auctions in recent years too.

AM: What kind of jewels are most sought after? Can you identify any buying patterns?

JC: Among the most sought-after jewels on the market now are high-quality white and coloured diamonds - with blue, pink and yellow stones being among the rarest. We also see a very strong demand for the finest coloured gemstones, with the most desirable of these including sapphires from Kashmir, rubies from Myanmar and emeralds from Colombia. There is also tremendous interest in natural pearls, and in recent flagship auctions of jewellery in Geneva, numerous pearl pieces have sold for many multiples of their pre-sale estimates.



Julia Castelli  
Sotheby's Jewellery Department



AM: Would you describe jewellery as an alternative investment?

JC: Throughout history, jewels have always been perceived as a store of value, which have the advantage of being small and portable. They have also been regarded a way of diversifying assets. More recently, jewels have also started to be perceived as a form of art in themselves and unique creations by some of the great houses - Cartier, Boucheron, Van Cleef & Arpels and others - have started to be collected by a wider audience than before.

AM: How do you assess the value of your jewels in the context of today's market? And what are the key elements to consider for those who wish to evaluate, manage or evolve their collection?

JC: If you are interested in finding out more about the value of your jewels, there are a number of factors that will be important to first bear in mind.

- Quality: the value of a piece, is of course, greatly influenced by quality. For a diamond or precious stone, this is determined based on the colour, cut and weight of the stone, as well as its origin, if known. For signed jewels, look for the quality of the craftsmanship and the complexity involved in designing and creating the piece, as well as the quality of the materials it is made of.

- Condition: it is important to examine the condition of the jewel, to see if any parts have been damaged or lost and how much if any, evidence there is of wear.

- Provenance: important or historical provenance can greatly increase the value of a piece of fine jewellery. Be sure to take into account any known historical connections, official commissions or noteworthy written references. If a jewel has been part of a well-known exhibition, this can also add

value.

- Authentication: paperwork is precious. Certificates which accompany a jewel can be hugely important as they can attest to its quality or provide provenance for the piece, such as the geographical origin of a stone, the creator of a jewel or its previous owners.

- Freshness to the market: among the most sought-after jewels are those that have not appeared on the market before - for example, if a jewel was commissioned by a family and handed down through generations, or if it has been held in the same collection for some time.

AM: Can you give us an insight into the auction market? What is the advantage of buying at auction?

JC: Many people think of auctions and 'buying' great pieces or works of art immediately comes to mind, and auctions certainly give buyers the opportunity to discover extraordinary jewels. But auctions are also a place for 'selling', and our sellers across the globe feel comfortable as they know that auction houses can introduce their jewels into a hungry and truly international marketplace. Our auctions are promoted all over the world through our global network.

They also recognise that auctions are a real reflection of where the market is at that time for a particular piece and a collector who consigns a piece for auction can choose to retain anonymity and can agree a reserve price with the auctioneer - below which the item will not be sold. Auction is a safe, trusted process and Sotheby's is a company with so much history too - founded in 1744, buyers and sellers have been talking to Sotheby's for close to 275 years!

Julia Castelli at Sotheby's +44(0) 207293 6640 or julia.castelli@sothebys.com

# Value-risk to private art collections, the rise of commoditization

## A new generation of tech-entrepreneurs is eager to revolutionise the art market

### New challenges

In a growing global and digital economy, participating in the art-market comes with new challenges. I've been investing time, effort and energy in understanding these problems for many years, looking beyond all the hypes, special interests and image building. Instead, as a commodity trader and used to market-waves and trade-risk hedging, my approach to the art-market is analytical and sober, with a special interest in long-term market-value cycles instead of quick and risky speculation.

Since I'm not part of the high-end art-market and cultural establishment, I can afford an independent position. With Noenga® we support artists with professionalisation and marketing. Where appropriate, I connect artists directly to art collectors, most of them commodity investors within my personal network. Both sides appreciate these direct connections.

Over the years I became convinced, that a critical risk-bearing trend for private art collections is being overlooked, deliberately ignored or



Misha Stoutenbeek

enormously underestimated by the high-end art-market and the cultural establishment. A situation nobody seems to speak about.

I refer to the commoditization of the art-world as a whole as a result of the global digitalisation. New disruptive technologies are already impacting traditional art-market models and redefining their valuation mechanisms, creating a deflationary environment.

Digitalisation and commoditization of art With the exponential advancement of new digital technologies, the art-world is more and more opening up to a wider public. The digital world relies heavily on visual image and video consumption, and as a consequence, art is now everywhere.

Some examples: the marketplace for collectables is growing fast in volume as online platforms allow artists to exhibit more extensive than ever before. Many top galleries from around the world present their artists roster on the online platform Artsy and others. In 2013 Tate proposed a digital strategy to promote art to a broader public. Whitney Museum's Artport website focuses on archiving digital and Internet art, and The Louvre opened a McDonalds 'restaurant' in its museum late 2009. Amazon Handmade offers artists the opportunity to sell art and handcraft directly to buyers and with worldwide shipping.

E-commerce platform Etsy enables art to be printed on practically any item you can think of, cups, postcards and, yes, even underwear. Art licensing companies provide reproductions on a massive scale, aimed at home-décor, as well as digital- and print products. Adobe Fotolia offers millions of pictures for low prices.

The art-market is losing control; artists are exhibiting everywhere and sell online. Auctioneers are huge competitors to galleries, and online sales - like eBay Art - are mushrooming, out of the reach of galleries and cultural institutions.

### High-tech art

The work of the greatest contemporary artists is valuable because they are considered unique and authentic, right? Well, science recently showed us that artificial intelligence could create art. Some people actually prefer it and (this is the tricky part) many art critics and experts were not able to distinguish the difference between computer and man-made artworks (researchers from Rutgers University/Facebook's AI Research Lab, study published on arxiv.org). ArtRank is a tool using machine-learning algorithms to discover collecting opportunities with quarterly projections.

Nevertheless, new ways for investing in art exist. Through block-chain technologies, hundreds of persons can, together, own a small piece of the same original artwork!

The art market and the cultural establishment are not prepared for this development and lack experience or knowledge. The most innovative minds often choose to work in a different sector than the art market. Hence, this knowledge and these ideas, sprout entirely out of the minds of a new generation of tech-entrepreneurs and visionaries, eager to revolutionise the art market. Sooner or later, the art-market will cave in under the pressure of these juggernaut trends.

'Buy low, sell high', a famous investing adage I foresee a long-term art bear-market under the pressure of commoditization, not even mentioning other potential macroeconomic deflationary forces when the era of artificially low-interest rates ends. The day the trend downwards proves dominant, a great many artworks will flow back into the market.

Do not hesitate, hedge the value of your collection now! Preserve the timeless and top pieces from established contemporary artists and sell the rest. Just expand when you can buy as close to the source - the creator - as possible.

Misha Stoutenbeek is co-founder of Noenga® an art-platform with over 150.000 members worldwide. ([www.noenga.com](http://www.noenga.com))

# Perils of the Auction Room



Finally, and with some relief, the bidding stops, yours is the highest bid, and the hammer falls in your favour. You pay the auction house and the work is yours. Or so you believe. Sometimes, however, it is not quite that simple.

Take the case of Philippe Dupont, who brought a claim against Christie's this April in New York. The case concerned a painting by David Hammons, called "Coach", which Mr Dupont had bid for in a post-war and contemporary sale at Christie's New York on 3 March 2017. Over the telephone, Mr Dupont placed the highest bid of \$390,000, and after the sale, he received an email from Christie's Impressionist and Modern Art Specialist congratulating him on his "successful" bid – according to his court application to suspend the painting meanwhile.

Just days later he paid out the balance due to the auction house of \$475,500. No doubt Mr Dupont, pleased with his purchase, was eagerly awaiting delivery; it must have been a shock when one week later he took a telephone call from Christie's, advising him that they wanted to cancel the sale and re-auction the work in May. The court pleading records that Christies advised that they had made a "... mistake" during the auction. Another bidder had not been called.

Christie's (NY) terms and conditions state that: "The auctioneer can at his or her sole option...in the case of error or dispute and whether during or after the auction, to continue the bidding, determine the successful bidder, cancel the sale of the lot or reoffer and resell any lot." and significantly "If any dispute relating to bidding arises during or after the auction, the auctioneer's decision in exercise of this option is final."

A central issue in the case is whether these conditions apply where the legal title of the work has already been transferred to the buyer, i.e. is it all too late for Christie's now?. An auctioneer will often exercise his discretion in the auction room. For example, the

hammer falls on a lot, after that someone else in the room leaps up eagerly protesting ' I'm bidding on that one...!'. The auctioneer chooses to reopen the bidding, the price climbs, and the lot is eventually sold for a much higher price- much to the horror of the original buyer who thought he had bagged a bargain.

Many in the auction world will have seen this happen, together with an amusing aside: the potential buyer arguing with their husband or wife, or engrossed in a catalogue rather than doing what they came for, which is bidding for the works they want. Not many cases like this have made it through the English courts, but now and then the auctioneer's terms and conditions do come up for scrutiny. A case which went all the way to the Court of Appeal in 1969 was Richards v Phillips and Others. A theatre went up for auction.

A dozing bidder suddenly awoke and bid after the hammer had fallen, causing much angst to the previously "winning" bidder who promptly sued and won in the lower court. The decision was then appealed. The central question in the Court of Appeal was whether these facts came within the definition of the word "dispute", contained in the auction conditions ; if so, then the auctioneer was entitled to determine the "dispute" as it wished, and cancel the sale; if not, then it couldn't do so. There have been many cases on the 'interpretation of words' and the court had to make an assessment. The three judges came down in favour of the auction house.

In the modern auction world, with Internet and telephone bidding, one can hardly blame the auction houses for covering themselves and wanting to be in control – where for example, a bidder could get cut off by a failing Internet connection. But just how far their control should extend is an open question.

The Dupont case may provide some answers.

Milton C Silverman  
Partner - Streathers  
mcsilverman@streathers.co.uk  
Tel: +44 (0)20 7034 4200

# Art Advisory 101 Online Program

Navigate Your Way Through the Art World

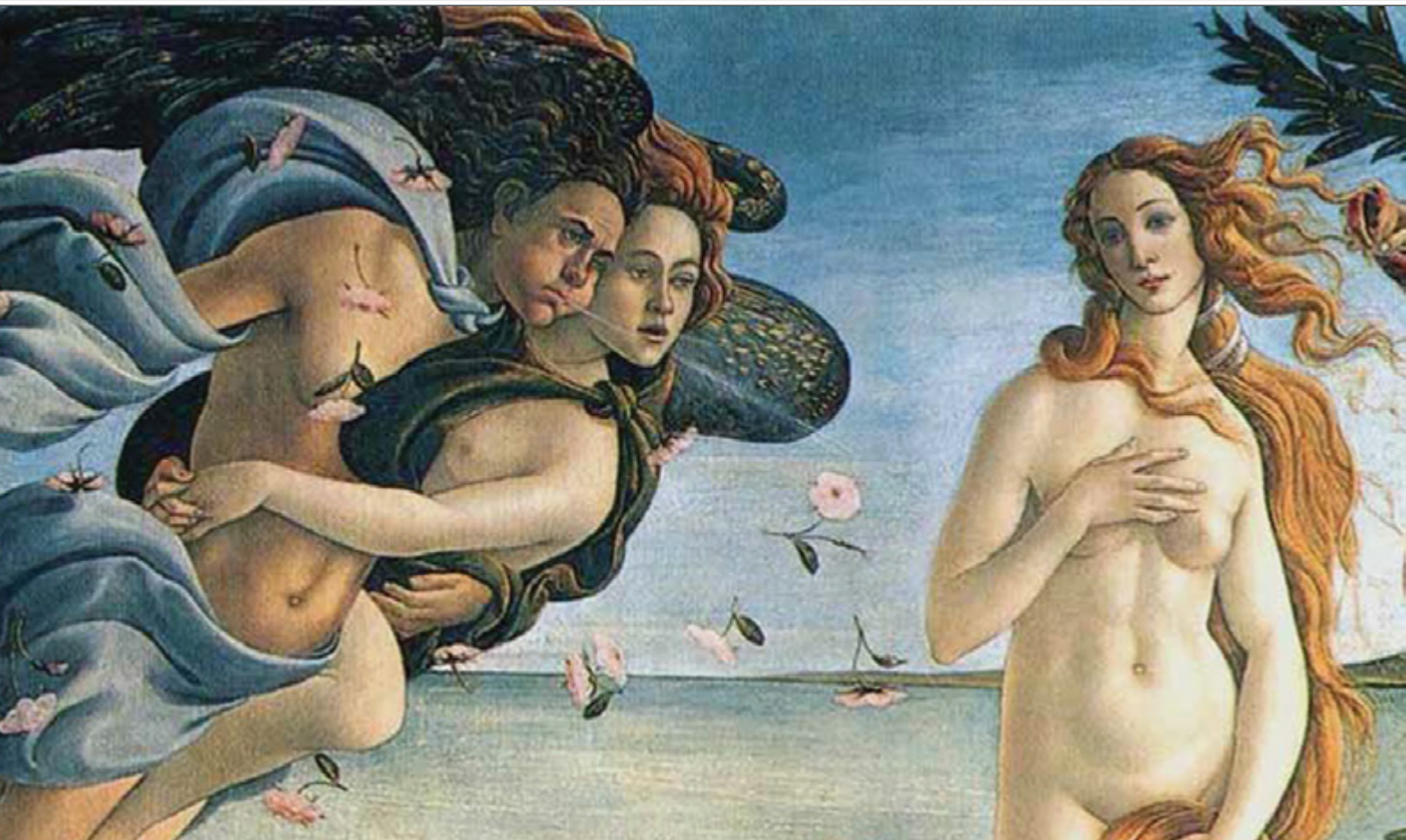


ENROLL TODAY



[www.oneartnation.com/art-advisory-101](http://www.oneartnation.com/art-advisory-101)

[www.domos.uk](http://www.domos.uk)



**DOMOS** FINE ART  
ADVISORS

*Specialists in sourcing art works by contemporary masters  
with a strong emphasis on due diligence in art transactions*

TEL: + 44 (0) 20 7193 8870 | SKYPE: domosfineart | [info@domos.uk](mailto:info@domos.uk) | [www.domos.uk](http://www.domos.uk)