KEY LESSONS FROM THE LATEST UK OFFICE FOR FINANCIAL SANCTIONS IMPLEMENTATION ART MARKET PARTICIPANTS AND HIGH VALUE DEALERS THREAT ASSESSMENT (JUNE 2025)

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UK Policy and Regulatory Alert

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On 18 June 2025, the UK Office for Financial Sanctions Implementation (OFSI) published a threat assessment (the Assessment) on compliance with UK sanctions and money laundering law for art market participants (AMPs) and high value dealers (HVDs).

WHY DID OFSI FOCUS ON AMPS AND HVDS?

In 2023, the United Kingdom accounted for about £11 billion of the global £65 billion art market, accounting for 17% of the world market. The United Kingdom also plays a significant role in the global auction market, ranking third in the world in 2023 with a market share of 12%. OFSI identified the inherent risks in such activities as being prone to common sanction evasion schemes and as of 14 May 2025 expanded the list of “relevant firms” subject to financial sanctions reporting requirements to include AMPs and HVDs.

AMPs are defined as a company or sole practitioner which is either:

- Trading “by way of business”, or acting as an intermediary in, the buying or selling of works of art, where the transaction value (or the value of a series of linked transactions) is €10,000 or more; or
- The operator of a freeport storing works of art in the freeport and the value for a person (or a series of persons) is €10,000 or more.

AMPs can include, but are not limited to, auction houses, commercial galleries, art storage facilities and specialist service providers, and intermediaries.

HVDs are defined as a company or sole practitioner which trades in goods (including an auctioneer dealing in goods) in which the payment (or series of payments) for any such transaction amounts in physical cash to at least €10,000 in total for a high-value good (HVG). HVGs typically include paintings, jewellery, art and high-end vehicles.

OFSI'S KEY FINDINGS

The Assessment sets out OFSI's key findings which would trigger enhanced due diligence and the requirement to report to OFSI. These include:

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Persistent Under Reporting

OFSI found it is highly likely that HVGs owned by designated persons (DPs) in the United Kingdom have not been reported to OFSI. OFSI requires that all funds or economic resources, which include HVGs, that are held or controlled by a DP must be frozen and, as soon as practicable, the nature and amount or quantity of funds or economic resources should be reported to OFSI.

Exposure to DPs

OFSI found it is highly likely that AMPs and HVDs are being used to retain and conceal economic resources for DPs. This includes the use of intermediaries and third parties to obscure control or beneficial ownership of HVGs. OFSI also identified the use of professional and nonprofessional “enablers” who assist DPs in concealing their beneficial ownership or control of UK properties.

RED FLAGS

OFSI's Assessment also sets out red flags for potential sanctions evasion—and anti-money laundering (AML) activities—which AMPs and HVDs should ensure they seek to prevent, including:

Valuation Manipulation

OFSI found that DPs were exploiting the subjective valuation of HVGs to transfer wealth covertly or misrepresent ownership in order to ensure the values involved did not trigger the various reporting requirements.

Storage Facilities as Blind Spots

It is thought that storage facilities—including freeports and private vaults—are used by DPs to hold valuable assets outside the financial system and beyond due diligence or external scrutiny.

Crypto-Assets and Non-Fungible Tokens (NFTs)

Crypto-assets and NFTs were identified as being used in transactions to introduce further opacity and to facilitate sanctions evasion though current usage in these sectors appears limited. This can be done through the use of a complex payment arrangement, including a combination of cash or crypto-assets.

Golden Passports

The possession and use of a “golden passport”, where citizenship is granted to an individual who makes a financial contribution to the state granting the citizenship, has long been considered open to abuse, including for the purpose of attempting to conceal any links to sanctioned jurisdictions.

Intermediary Jurisdictions

Requests for unusual or complex HVG delivery arrangements, including those involving intermediary jurisdictions, should raise a red flag. In particular, where the relevant intermediary jurisdictions are not subject to financial sanctions regimes. This is often used as an attempt to obfuscate the identify of the ultimate beneficial owner of HVGs.

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REPORTING

AMPs and HVDs are required to report to OFSI "as soon as practicable" if they have any knowledge or reasonable suspicion of dealings involving:

- A person listed as a DP;
- A breach of UK sanctions; and
- Holdings funds or economic resources for a DP.

The reporting form and more information on reporting obligations can be found on the UK government's website here.

PENALTIES

Failure to comply with the above requirements can lead to civil penalties of up to £1million (or 50% of the transaction value), or criminal liability, which can lead to imprisonment and an unlimited financial penalty.

Any additional reporting obligations, such as those relating to Suspicious Activity Reports should also be considered and complied with.

PRACTICAL STEPS

To ensure compliance with the reporting obligations, the following practical steps are advised:

1. Update AML/sanctions risk assessments to include HVG and digital assets;
2. Screen all clients and intermediaries against the OFSI Consolidated List (see here);
3. Extend ongoing screening protocols beyond onboarding to cover current clients;
4. Ensure due diligence on transactions exceeding €10,000, including beneficial ownership and source of funds verification;
5. Implement and document a robust sanctions compliance programme and training on the above red flags; and
6. Document any reported incidents to OFSI and maintain audit trails.

CONCLUSION

OFSI's Assessment builds on previous and related publications issued by OFSI and UK government partners, including the Financial Services Threat Assessment published by OFSI in February 2025 (see our corresponding alert here), the Legal Services Threat Assessment published by OFSI in April 2025 (see our corresponding alert here) and the Property and Related Services Threat Assessment published by OFSI in April 2025 (see our corresponding alert here).

If you have any questions on the Assessment or want further advice on developing your policies for UK sanctions compliance, please do not hesitate to contact the authors listed above.

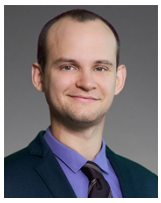
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