

Combating Illegal Antiquities Trade

By Standard Chartered Bank, December 2018



Introduction

The illegal antiquities trade (IAT) is a multibillion-dollar criminal industry, estimated to be the third largest type of black market after illegal drugs and the arms trade, and yet it remains unregulated and under-addressed. The characteristics of this trade make it vulnerable to money laundering and terrorism financing - lack of clear provenance, buyer secrecy, informal and self-regulated markets, non-transparent pricing, high value transactions, and unscrupulous middlemen. IAT not only robs us of our past and cultural heritage, but recent cases have evidenced that looting and trafficking of art and antiquities funds criminal activities and creates conflict and extremism around the world, producing long-lasting economic damage. Unfortunately, despite its wide-ranging cultural, economical and financial implications, awareness about IAT and the associated crimes and risks remains low with limited AML/CTF safeguards.

As with other proceeds-generating crimes, this destructive trade is also driven by 'big money'. With big money, comes the need to move, store and obtain the proceeds of the trade – which provides financial institutions with an opportunity to support law enforcement trace and disrupt financial crime. To identify illicit looting and sale of antiquities, these factors need to be considered – market demand, suppliers, parties selling artifacts to the market, smuggling routes to transport goods, and the networks that support this criminal-terrorist enterprise. Standard Chartered is raising awareness and leveraging our partnerships with clients to detect and prevent processing this type of illegal activity.

The Background

Over the last decade, the despoiling of cultural heritage has been accelerating. The United Nations estimates annual IAT volumes to be from USD3.4 billion to USD6.3 billion. On one hand, in poorer countries, the poverty-struck are stealing these treasures of the past for basic necessities, and on the other, perpetrators in conflict areas are looting us of our historical knowledge to fund terrorism and other devastating organised crimes.

Currently, archaeologists are concerned that IAT entails the destruction of ancient artifacts and sites, which has a devastating impact on our cultural history. Governments are concerned as it is a challenge to the sovereignty of the country and an attack on the national heritage, and law enforcement agencies are concerned that not only is illicit antiquities trafficking a crime itself, it has links to other criminal activities, including terrorism, drug trafficking, and money laundering.

IAT has a widely dispersed pattern of supply but it relatively focuses on areas of demand. Although most countries have cultural history that can be plundered, the ultimate demand lies mainly in the West and China, with a small growing group of private and institutional collectors.

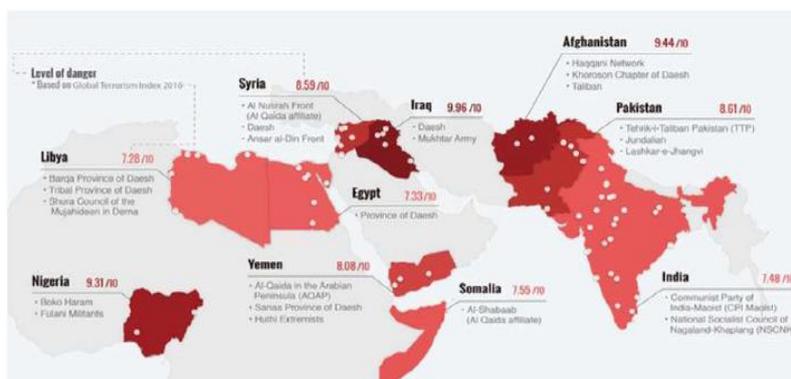
“[The] Illegal Antiquities Trade employs a three step process similar to that of money laundering, in that the introduction of the stolen property into the underground artworld is followed by a series of layering activities. Criminals and dealers alter and create a provenance, which allows these priceless treasures to step out of the shadows and into the hands of collectors who are eager to pay big dollars. It is a crime of opportunity and great profitability, supported by a web of financial transactions from start to finish. Homeland Security Investigations recognizes the importance of working with the financial sector when conducting such investigations.”

Angel M. Melendez
Special Agent in Charge,
Homeland Security Investigations, NY

How does it work?

The biggest enabler for IAT is perhaps the coexistence of a perfectly licit market market. Unlike illegal drug trafficking, antiquities traffickers often find an established open and legal structures in destination countries to sell the goods. Additionally, the trade practices for antiquities support buyer anonymity and complex ownership structures, especially through the involvement of middlemen and dealers. Similar to drug trafficking, the use of front companies, trade-based money-laundering techniques as well as, bribery and corruption are commonplace to move and obtain the proceeds of the illegal antiquities trade.

Cases of looted and trafficked antiquities are making headlines across US, Europe, China and the Middle East. The looting and destruction of cultural heritage in Syria and Iraq to fund terrorism is well documented. It is estimated that ISIS netted from USD150 to USD 200 million annually from these stolen artifacts. To put it into perspective, it takes just a few antiquities, and in some cases just one, to fund a large cache of weapons.



Combating Illegal Antiquities Trade

IAT is more analogous to the weapons trade, where lawful structures and transactions may be used to disguise illegal trading. The co-mingling between licit and illicit activity, the difficulty in appraising antiquities, and the lack of provenance makes investigation and prosecution of these crimes extremely difficult.



The problem is further exacerbated as there is a growing number of small actors using online marketplaces as well as the darknet to auction and sell stolen antiquities, which further drives looting and trafficking. The perpetrators exploit existing distribution channels to launder money, acquire weapons, and further their violent operations. The efficient networks of transnational organized crime, the rise of terrorism, and the growing unrest in conflict areas, have fueled the growth of illegal trade in antiquities.

Case Study: Hobby Lobby

“In 2017, Hobby Lobby (HL), the arts and crafts store chain, was fined \$3 million by the US Department of Justice and forced to relinquish 3,800 artifacts dating as far back as 1600 B.C.

The artifacts of Iraq origin were illegally smuggled into US through UAE and Israel. The company used shipping labels that falsely described the artifacts as ‘tile samples’.

In 2010, an expert on cultural property law who had been hired by HL warned company executives that the artifacts might have been looted from historical sites in Iraq, and . . . that failing to determine their heritage could break the law.

HL still proceeded to buy more than 5,500 artifacts from an unnamed dealer for \$1.6 million in December 2010. HL received conflicting information about the provenance of the pieces. No one from HL or its consultant ever met or spoke with the dealer who supposedly owned them. On the instructions of a dealer, HL wired payments to seven separate personal bank accounts.

Another dealer then shipped the items marked as clay or ceramic tiles to three HL sites in Oklahoma, with labels falsely identifying their country of origin as Turkey, prosecutors said.

The Republic of Iraq has finally taken possession of thousands of ancient artifacts illegally shipped to the U.S.”¹

The antiquities market is highly vulnerable to financial crimes, involving single transactions of hundreds of millions of dollars, non transparent pricing and buyer secrecy. Several efforts are now underway to combat

IAT for protection of cultural heritage at source countries. This includes to increase regulation of the international market for greater transparency, to standardize legal obligations and AML reporting requirements, and public awareness campaigns.

With inconsistent market regulations across source, transit and destination countries, it is increasingly evident that the current approach to tackling IAT is falling short.

Follow the Money

Similar to other illicit proceeds-generating crimes, with finance at its heart, we believe that adopting a ‘follow the money’ approach to tackle it would help unravel the network and the players, and clamp down their wealth and operation.

At Standard Chartered we are committed to tackling the full range of financial crime threats we face, including antiquities trafficking. Our unique global footprint means we are well placed to offer a unique perspective on this particular issue.

“So how do we protect our heritage from illegal sale? Use the Financial institutions network, trace the money”

**Cynthia Elasmr | CEO, Lebanon
Standard Chartered Bank**

While terrorist financing through cultural property has received significant attention by governments worldwide, other financial crimes have remained comparatively under-addressed. The most important economic financial sectors have become subject to stronger anti-money laundering regulations, but there has been surprisingly little attention to the illicit antiquities market.

The value chain for IAT will intersect the financial institutions at some point. Therefore, increased awareness within the financial sector is the first step to identify and manage the risks associated with IAT.

Our Correspondent Banking Academy offers a unique platform to reach a range of partner financial institutions in key source, transit, and destination countries of the illicit trade. We have begun a series of awareness-raising measures and training via this platform, and will continue our efforts via this program.

We are also developing white paper training material to train staff on IAT ‘red flags’, including cash-flows between IAT hotspots and links to falsified provenance and trade finance documents.

One institution or country cannot tackle this crime alone. It will require transnational government cooperation, stricter market regulations, increased awareness, enhanced transparency, and better intelligence exchange. At Standard Chartered, we stand ready to partner and play our part to protect cultural heritage.

1. <https://www.justice.gov/usao-edny/pr/united-states-files-civil-action-forfeit-thousands-ancient-iraqi-artifacts-imported>