Art and finance could be 'source of diversification' for Luxembourg economy

New university certification latest addition to steps taken to create new competency in wealth management, make Luxembourg logistics hub for art investment

The art market could become a "source of diversification" for the Luxembourg economy by making the country a logistics hub and art and finance a niche within its wealth management services, according to experts.

From March next year Luxembourg University will start a new professional certification in owning and investing in art, partnering with one of the world's leading art business academic
institutions and targeting global participants working in the financial, legal and logistics sectors.

But owning and investing in art could be seen as a surprising direction for a country which does not rank among the most renowned art centres in Europe in comparison with places such as Berlin, London or Paris, and which does not boast the high number of ultra high-net-worth individuals seen in locations such as Zurich, London or Frankfurt.

"The wealth management side is what is interesting for Luxembourg. We have the smartness of finance, we have all the funds and we have a freeport"

— Roman Kräussl, course director

Art investment is not on Luxembourg’s political agenda either, an expert in the field confirmed.

"We have had discussions with the government but I cannot say it's on the government's agenda," Adriano Picinati Di Torcello, director in global art and finance at Deloitte, said.

"We have made a certain number of suggestions to develop an art and finance cluster and we are there to support if Luxembourg authorities wishes to support this vision."

Over recent years the university has introduced new programmes in line with national priorities, such as satellite communications and space law, and entrepreneurship and innovation.

As part of the university’s current four-year plan running until 2021 the Luxembourg state is injecting a €766 million funding.

While rector Stéphane Pallage insists the university is independent from the government in its decisions he says some of the topics which will be developed over the years to come include finance and financial innovation, "which happen also to be a national priority for Luxembourg".

"I do not think we did it necessarily to mirror the priorities of Luxembourg, but we try to respond positively to what the country needs," he previously told the Luxembourg Times.

**New alternative investment**

The driving force behind introducing the certification in owning and investing art is twofold.

One motivation is that it would provide Luxembourg with a new form of alternative investment and would create a niche within wealth management. The other is that it could develop the
country's cultural attraction and could make Luxembourg a logistics hub for art and finance.

Course director Roman Kräussl said he hopes it will help develop expertise in Luxembourg – in particular within the financial, legal, taxation, accounting and logistical aspects of owning and investing in art – and hopes it will help develop Luxembourg's art scene.

"Luxembourg would be the first to take this extended 'back-office' approach"

— Adriano Picinati Di Torcello, Deloitte

"I think Luxembourg can work finance-wise as a hub," he said. "We have to focus on a niche here and this is one of them. The wealth management side is what is interesting for Luxembourg. We have the smartness of finance, we have all the funds and we have a freeport."

According to Picinati Di Torcello experts have been advocating for an art and finance cluster in Luxembourg for the past decade.

"We looked at the international transformation of the art market and thought there would be something interesting Luxembourg could leverage out of this," he said. "We continued to lobby the government on this topic."

He said the first idea was to create a freeport. In 2014 a 22,000 square metre facility opened close to Luxembourg airport.

"We can now see that little by little things are coming into the game. We started talking about the university course six years ago and now it is happening," he added.

'Reight clientèle'

Picinati Di Torcello argues Luxembourg's central location in Europe, its freeport, airport and private banking sector could all contribute to making the Grand Duchy an "ecosystem" for art and finance.

He believes it is an element which could be incorporated into the country's wealth management services, saying the Grand Duchy could "play an interesting role" in art and finance to this regard.

"In Luxembourg our long-term objective is that the international transformation of the art market could be a source of diversification for the Luxembourg economy," he said. "It can support a certain number of existing activities in the financial sector."
"In wealth management Luxembourg wants to move into private banking for ultra high-net-worth individuals (UHNWI) and art is a component of the wealth of those players."

For Picinati Di Torcello it’s also a question of having the "right clientèle" and he claims the more Luxembourg positions itself on high-end clients in terms of private banking and the more private banks set up their European headquarters in the Grand Duchy the more the country will attract UHNWI.

"It's really about Luxembourg creating a new competence," he added.

But Aude Lemogne, director of art advisory and finance company Link Management, says she is "not yet convinced" there's room for an expanding market in Luxembourg.

She argues the clientèle is not in Luxembourg, saying that "we have some collectors here but you don't have ultra high-net-worth individuals here".

"For someone to invest in art [rather than collect art] you need to have a fortune of at least a billion or at least €400-500 million and it's not the people who are here in Luxembourg. These people are in Monaco or Switzerland."

Lemogne claims a price tag of €100,000 would buy work from a relatively young artist and the buyer would need to hold onto the piece for a long time.

"That's not investment, that's building a collection and hoping that the value will increase – it's something very different," she added.

**Logistics hub for travelling goods**

Picinati Di Torcello said Luxembourg would be an ideal logistics hub, pointing to the increasing movement around art objects and claiming Luxembourg’s central European location and its airport and freeport could make it a hub for goods travelling between east and west.

"We have this eco-system and Luxembourg could offer a component of the logistics chain," he added. "Cargolux is already an important player because they already carry a lot of art objects."
"We are talking about the global market and the positioning I'm describing doesn't exist anywhere, so Luxembourg would be the first to take this extended 'back-office' approach."

He also suggested the Grand Duchy could become a place to protect UNESCO world heritage in danger.

"There are countries where there is war or climate issues and they want to protect their world heritage which is in danger," he added. "Can they bring it temporarily to Luxembourg, be restored, take it back. We have the planes to bring things over, we have a place to store things in good conditions."

Picinati Di Torcello added that creating this centre could also attract start-ups in the field of finance and art technology, such as blockchain.

**Luxembourg's art scene**

One part of the course is valuing artwork and advising art collectors and investors.

Kräussl said developing the sector in Luxembourg and increasing expertise in the field could also help push forward Luxembourg's cultural sector and in particular the range of art exhibitions.

"Luxembourg has a nice art scene but people aren't buying here yet, we are missing this culture," he said. "My hope is that the course develops the cultural attraction of Luxembourg and the financial side."

The course is held in partnership with Christie's Education London – a leading institution in history, business and law within art, based in London, New York, Hong Kong and Dubai and the only academic establishment wholly owned by an auction house.

"We wanted to build something so unique that even Christie's didn't have it so the course offers 10 ECTS credits and it's the only place in the world to offer this," Kräussl added.

The nearly €9,000 certificate will start in March next year.

The certification will consist of five days of lectures in Luxembourg followed by an excursion to The European Fine Art Fair (Tefaf) in Maastricht.
Three months later participants will travel to London for another five days of full-time lectures before they are taken to a preview viewing of Masterpiece London Art Fair – one of the biggest and most renowned in the world.

Lecture topics include international art taxation, art investment strategies, the art of storing and moving art, art risk management and insurance and art wealth planning and structuring.

Other topics include art crime, blockchain, valuing art and trading in art.

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