

# AMERICAN BANKER<sup>®</sup>

THE FINANCIAL SERVICES DAILY

Thursday, June 2, 2011

## Emigrant Crafts Art-Related-Services Role

By Steve Garmhausen

A team of antiques experts recently concluded a successful 18-month search for a rare publication on behalf of an American client.

Having tracked the item down in Europe, the team inspected it on-site to confirm its quality and importance, and then helped the client sort out issues relating to provenance, value and export licenses before turning to packing and shipping duties.

While it may have a tinge of glamour, this story would not be especially noteworthy were it not for one detail: The sleuths are employed by **Emigrant Bank** in New York.

Emigrant offers art- and antique-related services that most banks do not. Having entered the business of art-backed lending in 2005, Emigrant further differentiated itself last year by expanding into the art advisory business, which includes appraising items and helping clients buy and sell them.

“The number of banks that have these kinds of services is few and far between,” said Michael Moses, a former New York University professor who co-founded the Mei Moses art index.

The main reason is that the barriers to entry are high, said Andy Augenblick, the president of Emigrant Bank Fine Art Finance. “It’s not cost-effective for many of the big banks to invest in the expertise and infrastructure to offer art advisory services or to underwrite loans.”

Emigrant will not disclose financial data about its Fine Art Finance business, which includes its Fine Art Asset Management unit. But Augenblick calls it “a large and growing business,” and said it has received referrals from more than a dozen outside companies for lending and advisory services. “Our clients are often private bankers at other banks’ wealth management groups,” he said. “We’re helping them with their clients’ needs.”

In April, Emigrant announced that it would begin assisting clients in negotiating sale agreements with auction houses, dealers and private collectors. It is looking to expand its art-backed lending services outside of North America, and will continue to seek strategic opportunities, Augenblick said. The art-related businesses have a dedicated staff of seven.

Barriers to entry notwithstanding, Moses said he’s surprised that so few wealth management businesses have equipped themselves to deal with art as an asset class.

“I find it quite surprising, especially since many clients already



### Painting a Picture

Augenblick calls Emigrant’s art services operation “a large and growing business,” and said it has received referrals from more than a dozen outside companies for lending and advisory services.

have art,” he said. “It seems quite illogical to exclude it, and this notion that it’s not liquid is kind of silly.”

Moses said studies by the company he co-founded, Beautiful Asset Advisors LLC, have shown that art tends to be a risk-reducing asset. Works of art have very low correlation with other asset classes and have comparable risk levels, Moses said, adding that they have provided equal returns over various holding periods.

And while banks may not immediately come to mind as the place to go for services such as buying and selling paintings, their independence may be a natural advantage. The established art market is full of conflicts of interest that are hidden because of a lack of transparency, but banks are not perceived that way, Moses said.

“They don’t have their own portfolio that they’re selling,” he said. “And they don’t have relationships with dealers and things like that that might give them vested interests.”