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Artwork Finance and Global Wealth Management

Yu Li

Renmin University of China, Beijing 100872, P. R. China

ABSTRACT

When we talk about artworks, the keywords we can think of more are elegance, taste, aesthetics, meticulous carving, crown of painting, priceless, visual feast, and so on. In fact, artworks not only express the close relationship with the economy in the process of direct price and other factors in the process of circulation in the market, but also have many connections with the economy and finance in many aspects such as its consumer group, value judgment and consideration, reason for collection, psychological feelings and potential social symbols. The formation, development and change of wealth management concept is also a topic worth discussing, especially in today's era of rapid economic progress in China, changing world economic situation and urgent need for sustainable development. From this, it is not difficult to think of the product of the combination of the above two. As more and more people around the world turn to art as an investment asset, the art financial market is developing rapidly. However, the complexity and uncertainty of this market has led to divergent views on it. Therefore, this paper conducts in-depth research and analysis of related issues in this field from the perspective of artwork finance and global wealth management.

KEYWORDS

Artwork finance; Global Wealth Management; Cultural Investment; Art Market; Pricing; Valuation; Private Banking; Asset Allocation; Portfolio; Collection Strategy; Risk Management; Market Trends; Art and Finance Intersection; Art Circulation; Insurance

1 Literature review

Artwork finance is an increasingly focused field that sees art as an investment portfolio, bringing new opportunities and challenges. This article aims to review relevant literature and introduce artwork finance and its relationship with global wealth management.

Firstly, we come to talk about the definition and connotation of artwork finance. Artwork finance is a field where art is traded and managed as an investment asset. This concept includes aspects such as art market research, risk analysis, investment strategies, and earnings expectations. The goal of artwork finance is to maximize investors' returns and make the art market more transparent and standardized.

With the development of the global economy, more and more investors are turning their attention to non-traditional fields, including the art market. Artwork finance is a field that utilizes art as an asset class for transactions, insurance, and financing activities. The existing literature on artwork finance mainly focuses on its market structure, pricing mechanism, value evaluation, risk management, and regulatory aspects. One of the main obstacles to the development of the artwork finance market is the non-standard market structure and lack of transparency.

There are many problems in the artwork finance market. Despite the rapid development of the artwork finance market, there are still some problems. Firstly, the opacity of market information leads to non-standard market trading processes. Secondly, because it is difficult to assess the value of artworks and the price fluctuates greatly, it is difficult to predict the changes in the Prediction market and the correctness of the investment strategy. Finally, the issues of fraud and counterfeiting in the market also pose great risks to investors.

Global wealth management refers to comprehensive wealth management services for High-net-worth individual. The rapid growth in the number of High-net-worth individual in Asia has led to significant growth in the global wealth management business in the region. The existing literature mainly focuses on issues such as how global wealth management companies innovate to meet customer needs, customer bank relationships, and corporate management.

Artwork finance is closely linked to global wealth management. In global wealth management, art has become one of the important options for high net worth individuals to allocate investment portfolios. By investing in art, investors can achieve the goals of risk diversification and asset preservation and appreciation. At the same time, artwork is also a very special asset that requires professional knowledge and experience for management and trading. Therefore, private banks, fund management companies, and other wealth management institutions provide artwork finance services to meet customer needs. However, this combination also poses challenges, such as how to evaluate the value of artworks, how to manage risks, and how to ensure transaction transparency. Therefore, more research is needed in this field to support its further development.

This study first introduces the concept of the artwork finance market and its latest development trends. This article explores the pricing mechanism, trading models, and professional evaluation methods of artworks, and briefly elaborates on the investment logic behind artworks. Next, a detailed discussion was conducted on the concepts and objectives of the global wealth management perspective, analyzing the role of artwork finance in it, and exploring its impact on the wealth management industry.

Through research on artwork finance and global wealth management perspectives, we have found that art, as an emerging asset, has certain risk and return characteristics. Through the concepts and methods of artwork finance, the potential of art investment can be better explored, and its liquidity and transferability can be improved. At the same time, artwork finance has also brought new opportunities and challenges to the global wealth management industry.

In summary, this study aims to provide reference and inspiration for practitioners in the global wealth management field and those interested in art investment, in order to better understand the relationship between artwork finance and global wealth management perspectives.

2 An overview of artwork finance

Artwork finance refers to financial activities that invest and trade art as financial assets. It mainly includes art mortgages, art financial leasing, art securitization and other forms. Its basic concept is to view art as a valuable asset that forms a new financial instrument by combining it with financial markets.

2.1 Development background

With the development of the world economy and the accumulation of global wealth, the art market has attracted more and more attention. Especially in recent years, the price of the art market has been climbing, attracting the attention of many investors. However, in the traditional financial market, art investment is relatively small, mainly due to the cumbersome art trading process, low information transparency, and difficult to control risks. As a result, artwork finance emerged as an emerging field.

2.2 Existing circumstances and market characteristics

Art mortgage loans - loans with art as collateral, are relatively mature in the US and European markets; Artwork finance leasing - leasing art to obtain a return on investment, which is more common in Asian markets; Art Securitization - The field is currently evolving by packaging multiple artworks into securities for trading.

The following are its main characteristics: high risk risk - due to the characteristics of large fluctuations in art prices and low liquidity, the financial risk of art is relatively high; Information asymmetry - information such as the authenticity of artworks, artist value, historical value and other information is difficult to obtain, resulting in information asymmetry; High investment threshold - artwork finance requires a lot of capital and expertise, which is difficult for ordinary investors to enter; The market is not highly regulated - artwork finance lacks supervision and standardization, which is prone to chaos.

2.3 Development model

Artwork finance is a new vane of the financial industry, injecting fresh blood into the cultural market and initially forming some different development models.

2.3.1 Art Bank

Art banks usually have two meanings. The first refers to the entrusted institution that uses art as the access to the leased property, and the second refers to the banking service of art investment. The main operators of this business can be roughly divided into non-governmental cultural and art institutions and specialized financial institutions, which are all for-profit commercial organizations.

Art research, art trading, art management, structural solutions, art forum, these are the five main businesses that have been rated as the best art bank in the world. The identification, collection, preservation, and trust of works of art are included in its service system.

2.3.2 Art funds and trust investments

Art funds are investment methods that earn profits through a variety of art portfolios after raising funds. Art investment funds have three investment models: art portfolio, artist trust, and art hedging.

The first model is mainly aimed at art investors, which is a forward spot transaction with a longer cycle but obvious returns. The second model is mainly aimed at artists, the cycle is medium and long-term, which can better avoid risks and enable artists to obtain short-term or long-term benefits. Participants in the third model can be individuals, group institutions or banks, but the conditions for participation are higher.

2.3.3 Art mortgage

When it comes to the secured lending business of art, the specialization process of the financial community in this area has reached a certain height, especially in developed countries in Europe and the United States. Art mortgages show people that art investment can refer to the operation mode of real estate investment, but it has some restrictions in valuation and realization, so it is still in the stage of improvement and continuous maturity.

3 Art property transactions

Art property rights trading is actually an art equity investment transaction, which divides the rights and interests of art into many small parts and enters the transaction to reduce its investment threshold.

3.1 Chinese and Global Artwork finance

Due to my cultural background and growing environment, I can most intuitively contact and feel the general environment and development trend of artwork finance in China. Therefore, a comparative analysis and elaboration of Chinese and international artwork finance is specially carried out.

3.2 Current situation of artwork finance in China

Since the reform and opening-up, China's market economy has continued to develop, and the overall national income has continued to rise. Like many other markets, the art market has developed rapidly driven by the national economy, which is mainly reflected in the fact that many financial institutions have stepped into the field of art, and the intervention of financial capital has made art an investment product.

In this way, the docking and integration of financial capital and artworks, the financial assetization of art resources have been realized, and artwork finance has gradually formed an industrial chain, with a relatively independent system and its related supports. All indications are that the era of Chinese artwork finance has arrived.

At present, China's art financial market is relatively lagging behind, but with the support of government departments and the continuous development of relevant institutions, the market is gradually growing. At present, the main forms include art mortgages, art financial leases and art private equity funds.

3.3 Current situation of Global Artwork finance

With the development of the global economy and the increasingly prosperous art market, artwork finance has become a new area for investors. According to the 2022 Annual Art Market Report, the global art auction turnover was US$16.5 billion, the fourth highest in auction history, and is currently the fourth highest in the history of auctions. Europe and Asia are the main markets.

In the US and European markets, art mortgages are a more mature form, and some large banks and financial institutions offer this service. In the Asian market, art financial leasing is more popular, and investors rent art to obtain returns. In addition, art securitization is also evolving.

3.4 Comparison of Chinese and international art financial markets

Globally, the most developed art financial markets are the US and European markets, which have formed a certain scale and system, while the Asian market is still in its infancy. In contrast, China's artwork finance market is still relatively lagging, but its market potential is huge and it is gradually improving in terms of policy and regulation.

In addition, there are some differences in investment preferences, risk management and supervision in Chinese and foreign art financial markets. For example, in terms of investment preferences, some investors in China prefer to buy contemporary art, while many investors in Western countries focus on collecting traditional art. In terms of risk management and supervision, China's regulatory standardization management system is also different from that of other countries, which also creates the hidden danger of chaos in international market trading .

4 An overview of global wealth management

Wealth management, as the name implies, is to analyze, allocate and manage the sources of wealth, the way of wealth circulation, the direction of social wealth and other links and aspects, and its origin is to achieve the preservation and appreciation of wealth.

Global wealth management refers to the comprehensive wealth management services provided by banks, securities, insurance and other financial institutions for high-net-worth individuals or families. Its main functions include portfolio management, estate planning, tax planning, risk management and professional advisory services.

The origins of global wealth management can be traced back to the early 20th century, when several private banks first offered wealth management services tailored to the individual needs of wealthy clients. With the development of the times, the global wealth management market gradually matured and expanded rapidly in the 80s and 90s of the 20th century. At present, the global wealth management market has formed a certain scale and shown a diversified development trend.

4.1 Current state of the market

According to statistics, wealth per capita continued to rise, reaching $87,489 at the end of 2021. While financial assets have accounted for the majority of household wealth growth since the global financial crisis, in 2021 the ratio between wealth growth driven by financial assets and non-financial assets was almost average.

Table 1: Change in household wealth in 2021, by region

	Total wealth	Change in total wealth		Wealth per adult	Change in wealth per adult	Change in financial assets		Change in non-financial assets		Change in debts	
	USD bn	USD bn	%	USD	%	USD bn	%	USD bn	%	USD bn	%
North America	158,199	21,275	15.5	560,846	14.7	14,351	12.9	8,396	19.0	1,472	8.1
Europe	106,330	1,573	1.5	180,275	1.5	524	1.0	777	1.2	-273	-1.8
China	85,107	11,168	15.1	76,639	14.5	5,898	16.1	6,349	13.7	1,079	12.1
Asia-Pacific	81,319	4,298	5.6	64,700	4.0	1,376	3.1	2,924	6.7	3	0.0
India	14,225	1,524	12.0	15,535	10.1	271	8.1	1,317	12.4	63	5.1
Latin America	12,579	1,194	10.5	27,717	8.9	576	9.8	725	10.6	107	7.9
Africa	5,808	417	7.7	8,419	4.7	306	11.9	121	3.7	10	2.3
World	**463,567**	**41,450**	**9.8**	**87,489**	**8.4**	**23,301**	**9.0**	**20,609**	**9.4**	**2,460**	**4.4**

Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2022

By the end of 2021, there were 264,200 ultra-high net worth (UHNW) individuals with a net worth of more than $50 million. This is 46,000 more than the 218,200 recorded at the end of 2020 and another 43,400 more at the end of 2020 than in 2019. These increases are more than double those recorded in any other year of the century. Taken together, this means that the number of adults with more than $50 million in wealth has expanded by more than 50% in two years.

Together, the bottom 50 percent of adults in the global wealth distribution account for less than 1 percent of total global wealth. In contrast, the richest tenth (the top 10% of adults) owns 82% of global wealth, and the top percentile alone owns nearly half (46%) of all household assets.

In the wealth management sector, the United States, Switzerland and the United Kingdom are the main markets, accounting for about 70% of the global wealth management market. In the Asian market, the rapid growth of high-net-worth individuals in countries such as China, India and South Korea has attracted the attention of many wealth managers.

4.2 Trend

With the development of technology and the rise of a new generation of high-net-worth individuals, the global wealth management market is undergoing some changes and trends.

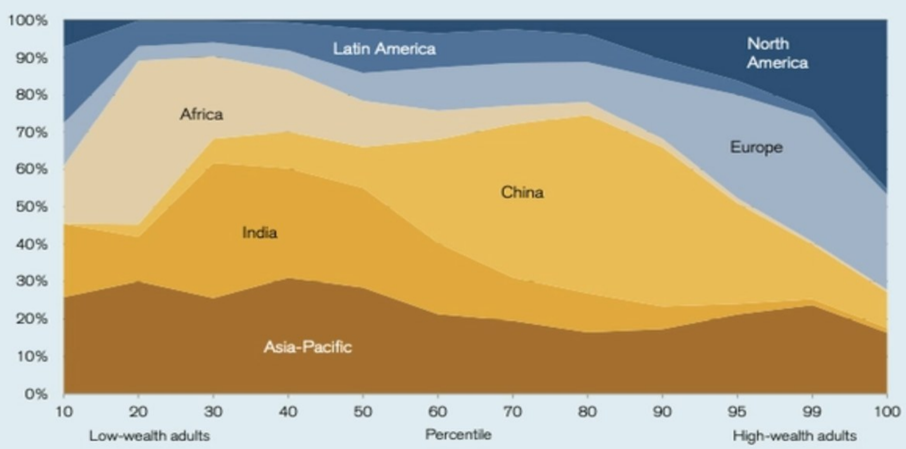
Digital transformation: Wealth managers are accelerating digital transformation by using technologies such as artificial intelligence, big data analytics, blockchain, and more to improve efficiency and quality of service.

Investment in non-financial assets: In addition to traditional financial products such as stocks, bonds and funds, investors are also turning their attention to non-financial assets such as real estate, art, and collectibles to obtain more returns.

Brand building: Wealth managers are starting to focus on their own brand building and image building to improve customer satisfaction and brand recognition.

International layout: Wealth management institutions gradually realize international layout through overseas mergers and acquisitions, cooperation and branch construction to expand global market share.

Figure 2: Regional composition of global wealth distribution in 2021



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2022

5 Artwork finance and Global Wealth Management

Global wealth managers provide comprehensive wealth management services for high-net-worth individuals, and artwork finance is one of the forms. As the art market continues to grow, more and more investors are turning their attention to the art sector as part of their high net worth assets. As a result, artwork finance has gradually become part of global wealth management, and many wealth managers have begun to provide art financial services to meet the diversified needs of customers.

In the field of artwork finance and global wealth management, many scholars and institutions have conducted relevant research. These research results mainly cover the following aspects:

The risk and reward of art as an investment asset. Many studies have explored issues such as the volatility of the art market, its linkage with other investment assets, and yields.

The structure and characteristics of the art market. Some studies focus on the characteristics of the art market, such as the size of the art market, the way it is traded, and the auction market, and analyze its impact on investment decisions.

Status and trends in the global wealth management industry. Some studies analyze the wealth distribution and composition of high-net-worth individuals around the world, explore the service content and trends of wealth managers, and emerging trends such as digital transformation.

However, current research in the field of artwork finance and global wealth management still has some shortcomings. The most prominent problem is the lack of systematic research methods and theoretical frameworks. Although there have been many studies that have explored issues related to art and wealth management, most of these studies are only case studies or partial discussions, and do not form a complete theoretical framework. Therefore, in future research, it is necessary to further establish systematic research methods and theoretical frameworks to better promote the research and development in the field of artwork finance and global wealth management. Since the art market is relatively opaque, it is necessary to collect all kinds of available data, such as sales data of auction houses, galleries, etc., private transaction data, and related literature and research.

The following aspects can be used as a focus.

Investment value evaluation of artworks: Study how artworks are evaluated, including market positioning, risk control, income forecasting, etc. At the same time, it is necessary to consider the characteristics of the artwork itself and changes in the market environment.

Trading mechanism of art: study the trading rules and mechanisms of the art market, including different trading methods such as auction houses, galleries and private transactions, as well as their advantages, disadvantages and influencing factors.

The role of art in portfolios: Study how art can be incorporated into a portfolio as an investment tool to enhance overall returns and diversify risk.

Innovation of art financial products: research on how to develop financial products for the art market, such as funds, securitization products, insurance, etc., to help investors better participate in the art market.

Global wealth management perspective: study the wealth management and inheritance of artworks on a global scale, including how artworks can be used as part of wealth and how to achieve cross-border wealth management.

5.1 Quantitative model establishment method

Through the establishment of some quantitative models, investors can be assisted in making more informed investment decisions and promote the development and prosperity of the art market. Here are some common examples.

5.1.1 Risk assessment model for art investment

Art is a non-standardized investment variety with certain cultural and historical value, its price is difficult to determine, the market liquidity is poor, and the investment threshold is high. Therefore, it is necessary to establish a risk assessment model for art investment, classify different types of artworks, analyze their investment risks, and formulate corresponding investment strategies.

Retrospective assessments can usually use the VaR (Value at Risk) model and the ES (Expected Shortfall) model. The VaR model is a measure of the maximum possible loss of a portfolio over a period of time in the future, while the ES model is an improvement based on the VaR model that takes into account the situation where the VaR loss level is exceeded.

The steps to build the VaR and ES models are as follows:

Select Historical Data: Select historical data from the available data and arrange it chronologically.

Calculate Yield: Convert price change into percentage change by calculating the yield of an asset or portfolio.

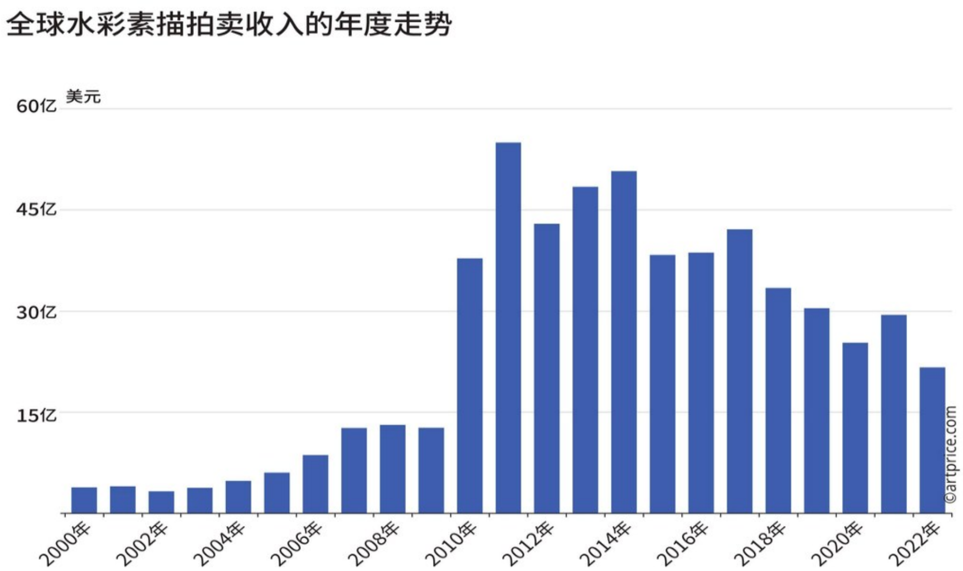
Determine probability distribution: The probability distribution of yields is calculated from historical data, usually assuming that it conforms to a normal or t-distribution.

Calculate VaR: Converts a probability distribution into a VaR value using the selected confidence level and age .

Calculate ES: Calculates the average of losses that exceed the VaR level, which is the ES value.

According to some relevant data on the economic weight of various art categories, painting is still an important category and economic cornerstone of the art market, accounting for 70.9% of the world's total turnover and 37% of the world's total transaction volume. The second largest block market after painting is watercolor sketching, which accounts for 14% of the total global turnover and 21% of the total turnover.

We will now take the annual trend data of watercolor sketch auction revenue as an example to construct the model, and further analyze it, and give appropriate investment analysis and risk assessment.



According to the data, the annual trend of global watercolor auction revenue: 2000-2022 is 4.6, 4.7, 4.4, 4.6, 5.1, 6.1, 8.5, 13.8, 13.9, 13.7, 37.6, 51.2, 43.5, 49.8, 37.8, 38.1, 43.7, 34.6, 30.4, 25.5, 29.1, 22.1 (unit: US$ billion).

The steps to build and run are as follows.

Calculate the yield of each year: subtract the income of each year from the income of the previous year, and then divide the income of the previous year to get the yield of each year.

Calculate the mean and standard deviation of the annual rate of return: using the mean() and std () functions in the numpy library.

Calculate VaR: Use the norm. ppf() function in the scipy library to calculate the quantiles of the normal distribution based on the selected confidence level, such as 95%. This is then calculated using the formula for the mean and standard deviation of this quantile to the annual rate of return.

Calculate ES: Find yields for all years that exceed the VaR threshold based on the probability of a decline in the selected risk measure, such as 5%, and take the average of those yields.

```
import numpy as np
from scipy.stats import norm
# Annual trend data of global watercolor auction revenue
art_prices = [4.6, 4.7, 4.4, 4.6, 5.1, 6.1, 8.5 , 13.8, 13.9, 13.7, 37.6, 51.2, 43.5 , 49.8, 37.8, 38.1, 43.7, 34.6, 30.4 , 25.5, 29.1, 22]
# Calculate the rate of return for each year
returns = [(art_prices[i] - art_prices[i-1]) / art_prices[i-1] for i in range(1, len(art_prices))]
# Calculate the mean and standard deviation of the rate of return
mean_return = np.mean(returns)
std_return = np.std(returns)
# Calculate the VaR value
confidence_level = 0.95 # The confidence level is 95%.
VaR = -norm.ppf(confidence_level) * std_return + mean_return
print('VaR value is:', round(VaR, 4))
# Calculate ES values
downside_prob = 0.05 # The probability of a risk measure falling is 5%.
threshold_returns = [r for r in returns if r <= VaR].
ES = np.mean(threshold_returns)
print('ES value is:', round(ES, 4))
```

Based on the results of the data operation, the following preliminary analysis and evaluation can be given:

Yield Analysis: As you can see from the chart, the total revenue of the global watercolor auction market has gradually increased over time, but the growth rate has fluctuated. Especially in 2018 and 2019, the market revenue growth rate slowed down significantly. This may indicate that the market has entered a period of stability or is facing some challenges and adjustments.

Risk assessment: Risk indicators for this market can be derived by calculating VaR and ES. The results show that with a 95% confidence level, the VaR value for this market is -0.0680. This means that the maximum amount of losses that can be suffered per year is an annual yield of 6.80%. In the case of a 5% probability of a decrease in the risk measure, the average of all losses above the VaR threshold is -0.1849, which means that the average amount of loss that may be suffered under this probability is an annual rate of return of 18.49%. This data can help investors better understand market risks and make sound investment strategies and decisions.

Investment advice: The global watercolor auction market could be a potential investment area for long-term investors. Despite the risks of this market, it is possible to make good gains if you choose the right artwork, control your position, and combine it with other risk management tools; For short-term investors, investment behavior needs to be carefully considered due to the high volatility of the market and the short investment period. Over-trading and blind follow-up should be avoided, but a sound investment plan should be made according to personal circumstances and market changes; For novice investors, they should first understand the characteristics and rules of the art market and learn how to identify the value and quality of art. At the same time, you should choose a reputable institution or person with expertise and experience to help with investment decisions.

But this is also not representative of real market risk. The actual risk assessment needs to consider more factors and data, such as market environment, competitive analysis, etc. At the same time, VaR and ES models have their own limitations and shortcomings, which need to be combined with other risk management tools and methods for comprehensive evaluation, such as historical backtracking, and the study of market performance over the past few years or decades to determine future investment returns and risks. And each investor's actual situation and risk appetite are different, and they will formulate appropriate investment strategies and plans according to their own circumstances.

5.1.2 Quantitative investment model

Through the analysis and modeling of market data, quantitative investment strategies are developed to help investors achieve better investment returns. For example, technical analysis, fundamental analysis, machine learning and big data technology can be used to build predictive models to identify market trends and trading signals. The use of this model can help investors better manage art portfolios and improve the efficiency of asset allocation to a certain extent. Specifically, the following operation steps are included.

Deterministic factors: Select factors that affect the art market, such as market movements, economic environment, art liquidity, etc.

Collect data: Collect historical data related to the selected factor, including art prices, transaction volumes, expert assessments, and related indices.

Data preprocessing: Clean, deduplicate, standardize, etc. the collected data for subsequent data analysis and modeling.

Conduct data analysis: Data analysis using various statistical and machine learning methods such as factor regression, principal component analysis, LSTM models, and more.

Construct a portfolio: Based on the results of data analysis, construct a portfolio, such as based on the minimum variance combination or maximize the Sharpe ratio to achieve asset allocation.

Validate models: Use historical or simulated data to verify the predictive power and stability of the model, such as by building cross-validation sets or using external test data.

Actual investment: Use proven quantitative investment models to make real investment decisions and continuously optimize the model according to market changes.

5.1.3 Portfolio optimization model

According to different investment objectives and risk appetite, establish a portfolio optimization model to seek the optimal asset allocation scheme. The model can consider multiple asset classes, such as stocks, bonds, real estate, gold, art, etc., and comprehensively consider different risk-return indicators and constraints to find the optimal portfolio. With the combination of artwork finance and Chinese wealth management, the use of portfolio optimization models can help investors better diversify risk and improve returns. Here are the specific steps.

Determine investment objectives: Determine investors' risk appetite, expected returns and other investment objectives.

Collect data: Collect a variety of investment-related data, such as historical prices of different artworks, transaction volumes, expert evaluation results, etc.

Data preprocessing: Clean, deduplicate, standardize, etc. the collected data for subsequent data analysis and modeling.

Perform data analysis: Analyze data using statistical methods or machine learning algorithms, such as factor regression, principal component analysis, and so on.

Portfolio construction: Based on the analysis results and investment objectives, asset allocation theory is used to construct an optimal portfolio, even if the combination of maximum return and minimum risk or balance between the two.

Validate the model: Use historical or simulated data to verify the predictive power and stability of the model.

Actual investment: Implement actual investment decisions based on proven portfolio optimization models and continuously optimize models based on market changes.

5.1.4 Regression analysis

Regression analysis is a commonly used statistical method that can be used to assess the relationship between art prices and other factors. The specific operation steps are as follows.

Identify independent and dependent variables: Before performing a regression analysis, you need to determine which factors affect the price of art, and these factors are called independent variables. The price of the artwork is a dependent variable.

Collect data: Collect data on artwork prices and independent variables. For example, the independent variable might include the artist's popularity, artwork material, size, age, and so on, while the dependent variable is the price of the artwork.

Data preprocessing: Cleansing and processing of collected data, such as removing outliers and missing values.

Perform regression analysis: Use regression analysis methods to evaluate the relationship between independent and dependent variables by building a mathematical model. Regression analysis can be performed using statistical software, such as the lm() function in R software.

Interpret the results: Based on the results of regression analysis, explain the impact of independent variables on the price of art and evaluate the reliability and accuracy of the model. Various statistical indicators can be used to assess the quality of regression analysis, such as R-square and residual analysis.

Suppose we want to study the relationship between the price of an artwork and the size and material. We collected data on 100 artworks, including their price, size (in square feet), and material (0 for Chinese painting, 1 for oil painting).

The data is cleansed and processed first, removing outliers and missing values. Then, regression analysis is performed using the lm() function in R software model <- lm(price ~ size + material, data = art_data).

summary(model)

where price represents the dependent variable (art price), size and material represent the independent variables (size and material), and art_data is the dataset name. After running the above code, you can get the results of the regression analysis, including the influence of various statistical indicators and independent variables on the price of art. For example, you can see that size has a significant positive effect on the price of an artwork (i.e., the larger the size, the higher the price), while the material has no significant effect. In addition, the quality and accuracy of the model can be evaluated by methods such as residual analysis.

5.1.5 Application of fintech tools

With the help of financial technology tools, such as blockchain, smart contracts, etc., to achieve art transaction information sharing and a safe and trusted trading environment. At the same time, combined with cloud computing, artificial intelligence and other technologies, improve the efficiency of data analysis and decision-making, and provide better services for investors.

5.2 Wealth management of art worldwide

5.2.1 Collector Asset Allocation

First of all, the asset allocation of art collectors is worth paying attention to, and it is more useful to study the asset allocation of art collectors around the world, including how many assets they allocate to art investment, and how they balance risks and returns.

As an investment variety, the asset allocation of collectors of art is indeed worthy of attention and research. According to relevant data, globally, more and more high-net-worth individuals invest part of their wealth in the art market, especially those with high liquidity, stable income and high value retention.

In terms of asset allocation, art collectors typically allocate 5% to 20% of their assets to art investments. In addition, they consider the risk and return characteristics of each asset class in order to better balance the portfolio. For example, for those assets with relatively stable income, such as real estate and bonds, they may increase their positions appropriately; For riskier assets, such as stocks, positions may be reduced.

Art collectors also have their own strategy when it comes to balancing risk and benefit. For example, they often invest in artworks that are highly liquid, have stable artistic value, and are highly known by artists in order to better control risk. At the same time, they will also choose auction houses or galleries with more stable and economically strong economic strength in their fields to cooperate in order to better obtain a good return on investment.

5.2.2 Internationalization of artwork finance

Study the degree of internationalization of the art market on a global scale, including the regions in which they are traded, and the distribution of buyers and sellers by country. At the same time, the impact of the global political, economic and cultural environment on the art market needs to be considered.

The art market is increasingly internationalized worldwide. With the deepening of global economic integration and the development of Internet technology, art buying and selling are becoming more and more not subject to geographical restrictions, and more and more people can participate in art trading through online platforms.

In terms of trading regions, the European and American markets have always been the center of the global art market, especially in cities such as New York, London and Paris, which have the world's top art trading centers and auction houses. At the same time, in recent years, the Asian market has gradually risen, especially the Chinese and Hong Kong markets, which have become among the top in the world in the field of art auction.

The art market is also increasingly internationalized in terms of the country-specific distribution of buyers and sellers. More and more buyers and sellers come from different countries and regions, and they are becoming more connected. At the same time, governments and institutions are becoming more and more strict in regulating the art market, which also helps to ensure the fairness and transparency of the market.

Of course, the impact of the global political, economic and cultural environment on the art market cannot be ignored. For example, global trade frictions, political tensions and other factors may have a certain impact on the art market. In addition, the art market is also affected by changes in people's aesthetic tastes and cultural backgrounds, which also have an impact on market demand and prices.

With the deepening of global exchanges and cooperation, the degree of internationalization of the art market will continue to increase, and at the same time, we also need to fully consider the impact of the global environment on the market, so as to better grasp market opportunities and risks, and treat it as a new wind vane for wealth management.

5.2.3 Inheritance and Heritage planning of artwork

The inheritance and estate planning of art on a global scale can focus on how to make a proper will, how to conduct tax planning, and how to ensure the knowledge and skills of the art heirs.

The inheritance and estate planning of artworks on a global scale is a complex and urgent issue. Here are some things to watch about how to make a proper will, conduct tax planning, and ensure the knowledge and skills of the art heirs.

Make a proper will: It is very important for art collectors to make a will. The will should detail how the artwork will be owned and distributed, and it needs to comply with local laws and tax regulations. A will should ensure validity by legal means and should be updated frequently to reflect the collector's latest wishes.

Tax planning: As the art market involves high transaction fees and taxes, tax planning is also very important. Some strategies include donating artwork to charities (to reduce the tax burden), utilizing specific trust funds (to ensure the passing on of assets), etc.

Ensuring the knowledge and skills of the heirs of the artwork: The transmission of a work of art is not only about the transfer of assets, but also about preserving the cultural and historical value of the artwork. Therefore, it is very important for collectors to ensure that their heirs have sufficient knowledge and skills. This can be achieved through training, mentorship or other means.

In summary, the inheritance and estate planning of works of art on a global scale needs to take into account multiple aspects, including legal, tax and cultural factors. Collectors should actively participate in the planning process and work with professionals to determine the best strategy to ensure the preservation and value of their artwork.

5.2.4 Art financial products worldwide

For global art financial products, we further analyze their advantages and disadvantages, market needs and prospects.

Artwork finance products provide a way to invest in art without having to buy the physical object. They can help investors avoid risk and, in some cases, achieve better yields. In addition, these products can increase the liquidity and transparency of the art market by expanding the pool of market participants.

Artworks as an asset class have many unique characteristics, such as their value tends to be very subjective and influenced by various factors. This makes it very complicated to develop effective financial products. In addition, the liquidity of these products may also be limited, as the art market is generally a relatively illiquid market.

With the development of the global economy, more and more investors are turning their attention to the art market. Some investors consider art to be a very attractive area to invest in, as they offer a different investment model than traditional financial markets. In addition, many emerging markets and high-net-worth individuals have also shown considerable interest in these products.

The prospect of art financial products looks promising. Although in some cases these products may have lower liquidity and risk, these issues will gradually be addressed with greater market transparency and regulation. In addition, technological and innovative developments have made the design and implementation of these products easier and more flexible. Therefore, we can foresee that art financial products will continue to be a high-profile investment area in the future.

5.2.5 Art market regulation

The regulatory situation of the art market around the world is complex and diverse, and different countries and regions have different regulatory systems and practices.

Many countries have set up specialized government agencies to regulate the art market to ensure fairness, transparency and legitimacy. For example, the United States has established agencies such as the Federal Trade Commission and the Agency for Cultural Property to regulate the art market. In the UK, agencies such as the Department of Cultural Heritage and Tax and Customs have been set up to regulate the art market. In other countries and regions, there are similar institutions to carry out similar tasks. These institutions typically implement a range of regulatory measures, including regulating the conduct of auction houses and galleries, establishing an artist copyright system, and strengthening import and export approvals.

In addition to government agencies, many private institutions also play an important role in the art market. For example, international auction houses such as Christie's, Sotheby's and China Guardian are among the major players in the art market, and they often set up self-regulatory organizations to regulate market behavior. In addition, many galleries, art insurance companies and appraisal agencies also play an important regulatory role to ensure the legitimacy and transparency of the market.

In addition to government and private institutions, community organizations also play an important role in protecting the legitimacy and cultural value of the art market. For example, the Cultural Property Alliance in the United States is a non-profit organization whose goal is to protect cultural heritage and intellectual property. Similar organizations include Cultural Heritage Watch in the Netherlands and the Artists' Rights Association in the UK.

Regulatory measures and practices in the art market around the world are diverse and involve government agencies, private institutions and community organizations. These institutions and organizations guarantee the fairness, transparency and legitimacy of the market in different ways to promote the development and prosperity of the art market.

5.2.6 Cross-border wealth management related to artwork finance

Cross-border wealth management needs to consider the insurance and logistics of artworks to ensure their safety and integrity. It is necessary to choose a trusted insurance company and logistics service provider, and understand relevant policies such as customs and taxation.

To achieve cross-border wealth management related to artwork finance, many factors need to be considered, including art market regulation, art appraisal and appraisal, art insurance and logistics, art portfolio optimization, and art succession planning. It is necessary to choose the management method that suits you according to the actual situation and personal needs, and pay attention to risk control and investment security.

6 Conclusion and Prospect

Art Financial Products can provide investors with a way to invest in art without having to buy physical objects and can also help investors avoid risks. Making a proper will, conducting tax planning, and ensuring the knowledge and skills of the art heirs are all issues to be aware of in art succession and estate planning. Government agencies, private institutions and community organizations all play an important role in regulating the art market.

With the further strengthening of market transparency and regulation, art financial products will gradually become a high-profile investment area, and with the development of technology and innovation, the design and implementation of these products will become easier and more flexible.

Art inheritance and estate planning will receive more and more attention, especially with the trend of aging population and wealth transfer, and the role of art as an important wealth management tool will gradually emerge.

Art market regulation will be more professional and effective, and government agencies, private institutions and community organizations will play a more active role in maintaining the fairness and transparency of the market. At the same time, the demand for art investment from emerging markets and high-net-worth individuals will also increase.

There is a strong link between artwork finance and global wealth management, and the two will continue to influence and promote each other in the future. In this process, we need to remain vigilant and develop corresponding strategies and measures to ensure the legitimacy and healthy development of the market.

About the author

Yu Li, undergraduate in Renmin University of China, and her research area is finance economics. Email: liyu2195349393@ruc.edu.cn.

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